Report of Travel Fellowship

Is there a role for US style homeownership education and counselling in the UK?

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About the Winston Churchill Memorial Trust

The Winston Churchill Memorial Trust (www.wcmt.org.uk) is the UK's national memorial to Sir Winston, and each year the Trust awards Travelling Fellowship grants to UK citizens in a range of fields to enable Churchill Fellows to carry out research projects overseas. These projects are designed to exchange ideas and best practice, and build greater understanding between peoples and different cultures, in order that professions and communities in the UK can benefit from these shared experiences.

About the National Housing Federation

Travel that was funded under the *New Approaches to Social & Affordable Housing* stream was offered in partnership with the National Housing Federation (NHF) (www.housing.org.uk). The NHF is the trade body for housing associations in England. It believes that everyone should have the home they need at a price they can afford. It represents the work of housing associations and campaigns for better housing. Its members provide two and a half million homes for more than five million people and each year they invest in a diverse range of neighbourhood projects that help create strong, vibrant communities. The NHF ensures the ideas and recommendations from the Fellowships reach policy makers and other relevant groups and individuals.

About Alison Wallace

Alison has been a Research Fellow with the Centre for Housing Policy (https://www.york.ac.uk/chp/) since 2001. She has undertaken a range of projects for various government, third-sector and private funders, including Department for Communities and Local Government, Joseph Rowntree Foundation, Shelter, Office of the First Minister and Deputy First Minister Northern Ireland, and Lloyds Banking Group. The projects concern new housing supply, poverty and homeownership, sustainability of residential and buy-to-let markets, the limits and potential of shared ownership and self-build housing. Previously a social housing practitioner, she completed her doctoral research into the cultural economy of local housing markets in 2007.

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Alison Wallace, York, UK 2016

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Executive Summary

This report outlines the findings of a Travel Fellowship sponsored by the Winston Churchill Memorial Trust into the use and outcomes of homeownership education and counselling, specifically pre-purchase advice and support, offered to new homebuyers in the United States. The Fellowship sought to establish whether there was a role for such interventions to support new homebuyers in the UK, not least as government policy especially in England is committed to the significant expansion of affordable homeownership at the expense of other housing tenures.

The four week trip comprised visits to Buffalo, Albany and New York City in New York State and a visit to Boston, Massachusetts. It was an opportunity to meet and engage with 33 organisations and events and included mortgage lenders, not-for-profit housing counselling agencies, numerous intermediary organisations involved in affordable housing policy, as well as academics with expertise in the field.

The key findings are set out below.

- Homeownership education and counselling is a longstanding feature of the US housing market.
- The courses provide comprehensive independent tuition on the pros and cons of owning, how to repair credit and save, what lenders are looking for to get pre-qualified for a loan, how to shop for a mortgage and property, how to appoint professionals that will work for you, how to sustain homeownership and your investment over the long term, and where to turn if there are problems.
- It is uncertain what proportion of new homebuyers in the US participates in pre-purchase education and counselling, but access to publicly supported schemes to help people purchase are generally conditional on course attendance.
- Research evidence to date suggests positive outcomes of homeownership education and counselling, including lower rates of default and foreclosure and higher credit scores of people who attend the courses compared to new homebuyers who do not.
- Research is ongoing to identify the most effective method of homeownership education delivery and ensure that the results are not impacted by any selection effects - the possibility that different people choose to enter the courses, perhaps those with greater financial capabilities, than do not - and therefore isolate the impact of the intervention.
- The additional 'high touch' support that accompanies the courses from not-for-profits and lenders when accessing products designed for low to moderate-income households, as well as the potential for courses to act as screening for lenders, may also contribute to the positive outcomes observed.
- This part of the mortgage market that specifically caters for low to moderate-income households has performed well in comparison to the wider US market.
- Pre-purchase courses vary by class –size, duration, provider, mode of delivery and cost but National Standards have been devised to professionalise the sector and ensure

consistency in content. Providers, usually not-for-profit local housing agencies, and the individual counsellors are accredited by the US Department of Housing and Development (US HUD).

- Most courses offer 8 hours of tuition in the evenings or weekends and are most often delivered face-to-face. Online courses are growing and preferred by many homebuyers due to their convenience. Most education is followed up by individual counselling to consider individuals personal circumstances and to check comprehension of the course.
- Since the financial crisis, counsellors more frequently work with people for longer periods to support them in credit repair and saving for a deposit prior to being considered ‘mortgage ready’.
- More stringent mortgage market regulation was welcomed but not considered to undermine the case for pre-purchase counselling. On the contrary, providers supported people to overcome greater barriers to credit and savings and advised them of affordable homeownership options.
- Various reasons explain the milder UK housing market downturn after the financial crisis (compared to the US), but the UK has not resolved the cyclical nature of the market and safety nets for struggling homeowners have since been weakened.
- New market regulation may temper the excesses of previous lending environments, but critical appraisal only applies to one aspect of the homebuying process.
- Advice to first time homebuyers, from their decision to buy through to completion and beyond, is often partial, partisan, and out of date or fragmented across a range of organisations. UK evidence suggests that new homebuyer’s under-estimate the costs of owning and there are indications that people misunderstand the products and services.
- Current government policy in England is to support homeownership above other housing tenures. This increases the pressure on providers to expand the low cost homeownership sector and on households to consider home purchase as avenues to secure homes elsewhere is choked off.
- In the context of additional risks due to failing safety nets and the importance of housing equity to personal financial planning, ensuring UK homeownership is ‘*done right*’ - as the US government programs aim to do - is a large omission from the current policy terrain.
- US style pre-purchase counselling has the potential to contribute to this gap with mutual benefits arising to homebuyers, housing providers and lenders alike.

Summary of recommendations

- **For agencies involved in low to moderate-income homeownership to adopt a form of pre-purchase education and counselling.** This is to support confident and informed decision making in respect of whether to buy, becoming mortgage ready, shopping for a mortgage and property, understanding products, the homebuying process and about maintaining and sustaining the home in the long term.
- **Key agencies should convene a working group to consider course content and delivery.** Agencies that should be involved and could take the lead include the National Housing Federation, DCLG, Council of Mortgage Lenders and the Money Advice Service.

- **At a minimum, an online offer supported by local networks of counsellors should be instituted.** Exact forms of delivery, the timing and content are up for negotiation, but at the very least an online offer is likely to appeal and be cost effective. This should be piloted in selected areas, supported by individual support in person or on the telephone and evaluated over the long-term.

1: Introduction

This report outlines the findings of a Travel Fellowship funded by the Winston Churchill Memorial Trust that sought to determine whether US style homeownership education and counselling interventions, specifically pre-purchase education and counselling for prospective home buyers, have a role to play in the UK housing market.

This form of comprehensive support for first-time buyers is absent in the UK and prospective first time buyers are left to navigate the various agencies encountered and the housing market independently. The advice and support offered to first time buyers in the States aims to make successful long-term homeowners, boosting the sustainability of the tenure for lower-income households. Participation in homeownership education and counselling courses in the States is widespread among low- to moderate-income (LMI) households and homeowners who attend courses have better credit scores, lower rates of mortgage default and foreclosure than similar groups of homeowners who do not receive these services. Attendance can also delay homeownership while the risks are considered and can provide access to preferential mortgage rates, and deposit assistance and other forms of support to low- and moderate-income households.

The UK policy focus on homeownership as a preferred tenure is arguably comparable to the US but our regulatory systems and social protection differ considerably. The purpose of this Travel Fellowship was to identify any transferable lessons about homeownership education and counselling courses for the UK not least as there is a strong policy emphasis on homeownership particularly in England. While popular discussion has focused on affordability and deposit constraints to homeownership, too little attention is afforded to the ongoing issues of the risks involved and the circumstances of lower-income homeownership and its sustainability. Government schemes to bolster the rate of homeownership are accompanied by steps that simultaneously undermine the safety nets that struggling homeowners require to keep their homes. The trip considered the potential of pre-purchase education that supports household decision making in respect of the risks and responsibilities of homeownership, and directs them through the mortgage application and home-buying process.

In appraising the potential for homeownership education in the UK, a number of questions were considered. Why were the courses conceived and how have the courses developed? What motivates the providers? How are the courses funded and structured? How do home buyers perceive the frequent conditionality attached to course attendance? Do home buyers view the courses as patronising? What outcomes are observed? How are courses structured and funded?

Travel Fellowship

The Travel Fellowship provided an opportunity to explore these issues and see homeownership education in practice in the US. The Fellowship provided time to talk to community providers, lenders and other intermediaries to discuss the role homeownership education and counselling can play, especially for LMI households; and consider the structure, operation and outcomes of such interventions.

Photos: Contrasting city housing markets in Buffalo, Albany, New York and Boston

Buffalo Waterfront, Albany, Buffalo Eastside, Boston South End, Boston Waterfront, New York.

The trip was conceived to explore homeownership education opportunities in three contrasting housing markets in one US state, so the regulatory environment would be consistent but the type of prospective purchasers and the challenges they faced may differ. In the event, the trip involved a visit to Buffalo, Albany and New York City (and Long Island) in New York State, supplemented with a trip to Boston, Massachusetts. An overview of each city's local housing markets is included in Appendix A. Buffalo forms part of the US ‘rustbelt’, a city that until recently has suffered economic and population decline, with many vacant properties and relatively low cost housing. Albany is the State capital, with some neighbourhoods experiencing low demand, but generally has relatively modest costs. New York is a global city, and a highly pressurised housing market, although with frequently lower median incomes, and Boston has a buoyant economy based on education and technology and with high house prices, and greater median incomes.

The trip lasted four weeks and involved attendance at 33 different organisations and/or events, summarised in Table 1 overleaf. The four week travel comprised face-to-face meetings with mortgage lenders, neighbourhood not-for-profit homeownership education and counselling providers, and non-profit housing market intermediaries concerned with affordable multi-tenure housing options. Opportunities arose to have guided tours of cities’ affordable housing, to attend industry conferences, training or community events involving lenders, local neighbourhood organisations or advocacy groups and extended the scope of the travel.

The topics discussed with each organisation included: firstly, a contextual discussion to understand the US housing and mortgage market, including the organisation’s role in relation to the local housing market and LMI homeownership opportunities; their perceptions of the merit or otherwise of homeownership in the US; what help was available to LMI households wishing to purchase; the impact of the 2008 financial crisis on homeownership and the support available; regulatory change in the mortgage market; and secondly, the rationale for homeownership education and counselling, the funding and governance of the programmes; course content and delivery; the conditionality attached to the courses; home buyers’ perceptions of undertaking the courses; and lastly, advice for UK providers in undertaking similar education and counselling.

The report continues by providing background material on the use and outcomes of homeownership education and counselling in the United States, together with an outline of the UK policy context and reasons why US programs could be applicable (Chapter 2). The next chapter (Chapter 3) considers the motivations underpinning education and counselling in the States, what the programs hope to achieve, followed by Chapter 4 that highlights the structure, content and delivery of the programs. The final chapter (Chapter 5) considers whether there is a role for homeownership education and counselling in the UK. Supplementary material is contained in several appendices.

Table 1: Summary of activities during travel fellowship

	Buffalo	Albany	New York City	Boston
Mortgage lenders (community development managers)	2	-	5 (one not-for-profit)	1
Not-for-profit HEC providers (including multiple staff members)	4	1	3	1
Affordable housing intermediaries (including state and other public authorities and advocacy groups)	1	1	4	-
Academic discussions with scholars, active in the field of low income homeownership and HEC courses, and presentations	-	1	1	1 (plus presentation on UK affordable homeownership)
Neighbourhood block party (promoting local homeownership opportunities)	1			
Homeownership education class	1 (face to face)		1 (online Long Island)	
CRA Lenders' Conference (with OCC Comptroller keynote address)*			1 (Long Island)	
Annual General Meeting City-wide housing advocacy group		1		
Neighborworks training event for counsellors		1		
Tour of public housing sites		1		
**CRA -Community Reinvestment Act OCC- Office of the Currency Comptroller*				
A travel blog that records the journey can be found at winstonhomesandme.wordpress.com				

2: Background

The US has had a nationwide network of homeownership education courses for decades. The courses provide advice and support to new homebuyers to help inform their decision to buy and provide insight and advice about the homebuying process to increase the sustainability of the tenure for LMI households. Such comprehensive and intense forms of support are wholly absent from the UK, despite the policy direction seeks to redress the declining homeownership rate at a point when the future is uncertain for many and state support for struggling homeowners is in decline. With an array of affordable homeownership schemes, a stringent mortgage market and the perennial challenge of the home buying process for new purchasers, there is merit in considering aspects of US homeownership and education and counselling. A comprehensive service, emulating US homeownership education and counselling, could provide a balanced portrait of the rights, responsibilities and costs of becoming a homeowner, and an aid to navigating the mortgage and housing market and the purchasing process, with the intention of bolstering the sustainability of the tenure, not least for those buyers who come through subsidised channels.

But why would we consider lessons on sustainable homeownership from the US? The experience of foreclosures during the financial crisis was far more pronounced in the US compared to the UK experience, although comparable to the UK experience in the1990s (Aron and Muellbauer, 2016). A number of reasons explain the differential experiences. Lower negative equity, variable rate mortgages that enabled mortgagors to benefit from historically low Bank of England base rates, lenders offered greater forbearance and the government enhanced the support to struggling homeowners, all meant the UK avoided the widespread mortgage default and repossessions as in the US (ibid.). However, loans accompanied by homeownership education and counselling in the US performed better than the wider market. While good regulation and social protection are important and desirable mediators of market outcomes, evidence suggests that there is merit in promoting home buyers' ability to negotiate the housing and mortgage market.

This chapter, therefore, briefly outlines the rationale and operation of the US homeownership education schemes and the UK policy context.

The US Experience

Homeownership education and counselling has long been an integral part of low-income homeownership programmes in the United States. These interventions have grown since the 1960s, bolstered by the Community Reinvestment Act 1977 and Affordable Housing Act 1992 (Moulton, 2011). The original focus was on post-purchase support rather than today's emphasis on pre-purchase education, although significant funding has understandably shifted towards foreclosure counselling following the 2008 financial crisis. Obtaining public support to access homeownership for low- to moderate-income households - mostly in the form of lower mortgage interest rates, matched savings schemes, downpayment (deposit) assistance and funding for closing (various transaction) costs - is often conditional on participation in pre-purchase education and counselling, although attendance on the courses is open to anyone.

National US HUD reporting statistics show that participation in pre-purchase homeownership and counselling fell after the financial crisis but has since picked up as the markets have recovered. There was a peak of 300,000 course attendees in the fiscal year 2007, a low of 159,376 attendees in 2010, but by 2015 there were 234,339 (HUD 9902 Quarterly reports). Data on the penetration of pre-purchase education and counselling for new homebuyers is absent but may be roughly estimated. The number of mortgaged residential home sales was 2,803,706 in 2014 (HDMA data) and first time buyers represented 54 percent of residential home sales backed by a mortgage in 2014 (Bair et al., 2015), meaning that there were approximately 1,514,000 first time home purchases in the US in 2014. There were 194,394 people who completed pre-purchase counselling in 2014 (US HUD Office of Counselling), which if all pre-purchase course attendees went on to purchase a home would mean around 13 percent of new homebuyers underwent pre-purchase education. However, HUD record that only 31,745 people went on to purchase a home in 2014, but that 58,361others were ready to do so in 90 days. Other clients were resolving credit issues, were working with counsellors long term or decided not to buy. Assuming those close to being mortgage ready did go on to purchase then that suggests that 90,106 course attendees bought, reducing the proportion of first time buyers who complete courses to around 6 percent. The courses, therefore, are reaching a small portion of new buyers, predominantly those availing themselves of subsidised homeownership programmes.

Courses are held in every city or county and vary by provider, content, length of course, quality of learning materials and delivery methods ranging through classroom based or online programs, to individual face-to-face or telephone counselling sessions (Herbert et al., 2008). Private providers - often real estate agents or attorneys - do offer courses, but more typically not-for-profit community agencies provide a range of US Department of Housing and Urban Development (HUD) accredited courses. The curriculum covers the basics of home buying; home maintenance and improvement; home management and the importance of budgeting; avoiding foreclosure; and general consumer education (Carswell, 2009).

The literature advances numerous rationale for homeownership education and counselling courses: that consumers lack financial information and with knowledge will make better choices (Collins and O'Rourke, 2010; 2011); to expand homeownership whilst maintaining and promoting sustainable homeownership (Brown, 2016); or to help low-income households overcome (credit and debt) impediments to entering homeownership (Smith, M.M., 2014).The courses can connect people with better financial products and reduce the likelihood of default and foreclosure (HUD User Exchange, 2014). Underpinning these interventions is a perception that households have limited financial literacy and with education can improve their behaviour in the marketplace. Willis (2011) posits that this approach implies culpability on the part of individuals for poor decision making and adverse outcomes in a complex financialised market place, downplaying the role limited regulatory oversight or lender behaviour made towards the financial crisis.

In sum, however, the evidence base finds that the effectiveness of the homeownership education and counselling is favourable, with lower incidence of default and foreclosure and better credit scores compared to home purchasers who did not attend homeownership education courses (Collins and O'Rourke, 2010; Brown, 2016; HUD User Exchange, 2014; Moulton, 2011). Despite widespread foreclosures since the 2008 financial crisis prompted by the failure of subprime loans and the mechanics of their origination and sale on secondary markets, the portion of lenders' mortgage books that comprises borrowers who went through Community Reinvestment Act (CRA) lending schemes to LMI households performed better than the wider market in terms of default and foreclosures (Ding et al., 2011; Laderman and Reid, 2009). CRA regulated loans to LMI households regularly include mandatory homeownership education and counselling. However, the variation in the schemes, the timing of the interventions and the prospect that different people self-select into the programmes - i.e. that different types of people choose to enter the courses, perhaps those with greater financial capability - all make it hard to isolate the exact influence of homeownership education and counselling on the observed positive outcomes (Collins and O'Rourke, 2011).

Researchers are currently undertaking a randomised trial of the effectiveness of face to face or remote (online or telephone) modes of delivery in a homeownership education and counselling demonstration project that aims to control for any selection effects (DeMarco et al., 2016). Early insights suggest that borrowers preferred remote delivery and that in the short-term homeownership education and counselling courses have:

- Improved participants mortgage literacy;
- Improved their underwriting qualifications by correcting errors on their credit reports and/or reduced bad credit events like missed payments, thus raising their credit scores over critical thresholds;
- Improved prospective purchasers' communication and engagement with lenders, especially when in distress;
- Not improved participants budgeting skills.

Further monitoring of the loan performance of the trial's participants will be undertaken over the coming years.

In addition to these generally positive results, Collins and O'Rourke (2011) found other compelling evidence in favour of homeownership education and counselling:

- For potential homebuyers, formalized education and counselling programs can lower the costs of obtaining information about how to buy a home and obtain a mortgage;
- Objective, third-party counsellors or educators can help clients avoid emotional judgments that may not be in the client's long-term interest;
- Educational and counselling programs can facilitate more efficient transactions, make more information available and reduce the level of support needed from real estate and mortgage professionals; and

- To the extent education or counselling supports stable homeownership, the public has an interest in expanding these programs to prevent the negative impacts of unsuccessful homeownership (e.g. drops in property values due to foreclosure).

The UK experience

Housing policy is divergent across the UK, but certainly in England, homeownership is central to the provision of new supply at the expense of other housing tenures. A range of publicly funded homeownership interventions are designed to stem the decline of homeownership, that at its peak in 2003 was 71 percent of all households but reduced to around 64 percent by 2013/14 (DCLG, 2015). Governments for many decades have supported homeownership through tax advantages or direct subsidies, shaping demand for the tenure, but until 2016 had committed to more tenure neutral housing policies, providing support for low cost renting as well, albeit that grant rates had been reducing over time. However, in England, there are now increased pressures on housing providers to supply affordable homeownership opportunities, and on buyers to look to own as their housing aspirations become more limited in insecure or hard to access private and social renting. Indeed, the 2016-2019 Affordable Housing Programme in England signaled that almost all public funding would be for shared ownership or rent-to-buy properties, rather than social or even affordable rented homes. Moreover, discounted sale Starter Homes have been designated affordable housing for planning purposes. While all the devolved jurisdictions in Scotland, Wales and Northern Ireland maintain cross-tenure housing policies they also provide a range of affordable homeownership schemes, although Wales and Scotland have abolished the right-to-buy council homes.

While homeownership can offer control and help build assets clearly it is not without its limits. This is particularly an issue for households at the edges or margins of ownership, for whom the risks of default, equity loss and possession may be greater, and the decisions about tenure more profound. A number of issues, therefore, point to the relevance of comprehensive support for first time buyers in the UK, particularly for those who seek to access homeownership through subsidised schemes.

Firstly, households are increasingly expected to understand financial services and markets, and make optimum choices to build assets and bolster their own welfare in the face of retrenched social security and state support (Watson, 2009; Rowlingson and McKay, 2012). The housing market has become significant in this shift from collective state to individual self-provision, and has allowed many households to build wealth and transcend their labour market position (Thomas and Dorling, 2004) while also constraining other households in negative equity (Wallace, Jones and Rhodes, 2014). Moreover, there are indications that lower income households do not maximise their homeownership assets, and switch mortgages less frequently to obtain better deals, enter the market at inopportune moments and their homes are of less value and may have lower capital gains (Pryce and Sprigings, 2009).

A second issue is that mortgage financial literacy is low and, although not a barrier to homeownership, is associated with choosing products that carry the greatest risk, such as interest only or variable rate loans (Gathergood and Weber, 2015b, 2015a) and with higher levels of debt and high cost credit lines (Disney and Gathergood, 2011). Against a backdrop of consumers expected to make greater self-provision, the FCA (2016) found a financial advice industry (not just mortgage industry) that did not work for all consumers. Many consumers were making critical decisions about life events with little or no guidance, due to their mistrust of financial service providers, lack of confidence, high costs and/or regulatory constraints on advisors (ibid.). A review of the new mortgage market rules (FCA, 2016) also highlights limited consumer understanding of the information received and a lack of trust, which is also supported by Money Advice Service research (Mustard, 2014).

Thirdly, payment risks are experienced across all mortgagors, as modern flexible labour markets and social security fail to dovetail with long-term mortgage commitments (Ford, Burrows and Nettleton, 2001), but there is a social gradient to households that accrue mortgage arrears with households in the bottom income groups 9 times more likely to be behind on their mortgage than top income groups (DCLG, 2015). And yet, support to homeowners who struggle with mortgage payments is being simultaneously weakened across the UK, thus increasing the potential risks of owning (Wallace, 2016). Historic low bank base rates cushioned the impact of the 2008 financial crisis for many UK mortgagors, but although market regulation has been strengthened, the package of support (including support for mortgage interest, advice services and the mortgage rescue scheme in England), that also underpinned bank forbearance has since been undermined, leaving both banks and borrowers more exposed should, or possibly when, another downturn occurs. Although the threat has abated recently, low interest rates have become normalised and only 56 percent of homebuyers have a contingency plan if bank base rates were to rise (Mustard, 2014). The degree to which struggling homeowners are a legacy effect of the pre-crisis lending environment is unclear, but unemployment, ill-health or relationship breakdown represent risks to borrowers even with well underwritten loans and occur throughout the market cycle. Moreover, although the metrics relating to the incidence of mortgage arrears and possessions are currently benign, the UK has done little to reduce the cyclical nature of its housing market and the economic spillover effects, meaning further spikes in payment problems will reoccur.

A fourth issue is that there are indications that there is limited awareness of the various affordable homeownership schemes and some can be poorly understood and unaffordable to many households. For example, the shared ownership lease is considered complex and some purchasers remain uncertain or disagree with the balance of responsibilities between the purchaser and the housing association provider, although these weaknesses are set against the opportunity to achieve security and a semblance of homeownership (Cowan, Wallace and Carr, 2015). Home buyer's and lender’s views diverge in terms of consumer understanding of the financial commitment undertaken with Help-to-Buy equity loan purchases, although most purchasers are confident there are some regional, and household variations, despite solicitors’ requirement to sign off on the consumer understanding of the purchase (Finlay, Williams and Whitehead, 2016). And right-to-buy purchasers over time have experienced higher repossessions, larger and often unexpected repair and maintenance costs and wealth accumulation has been geographically determined (Cole et al., 2015). Moreover, there is some evidence that in Scotland, people also have little awareness of what help is available to them to purchase and enter the tenure (McKee, Moore and Crawford, 2015). Recent concerns about the drawdown of the bonus payment for the Help-to-Buy ISA, a matched savings account, also illustrate that the detail of schemes are important but can be misunderstood (Jeffreys, 2016).

Lastly, the house buying process involves the biggest investment and expense that households make but the process can be confusing, long, complex and risky. Decisions about purchase are emotionally inflected as well as rational, and poor decisions about mortgage types and rates, refinance, house price offers and managing the loan are made across all income groups, but particularly among lower income groups whose financial capability is lower (Agarwal et al., 2014). Information asymmetries, or imbalances between the knowledge of professional agents and (especially first time) buyers, are particularly apparent as people buy homes relatively infrequently. Homebuyers generally learn and become experienced in the market over time, but advice for first time buyers from family, friends, lenders, agents and solicitors can be out of date, partial or partisan. The Money Advice Service provides independent online advice[1] but there is an uncertainty about how people use and access this resource and the multiple links can mean the site can be overwhelming to use (Mustard, 2014). Their research shows that first time buyers under-appreciate the costs of owning, the stamp duty costs involved and over-stretch themselves to enter homeownership, resulting in financial difficulties or problems meeting housing costs for a minority (The Money Advice Service, n.d.). A total of 81 percent of first time buyers wished they had known the full costs of home purchase prior to their completion, half found the ongoing costs more than expected and for 18 percent these additional costs resulted in financial difficulties (ibid.). The introduction of Home Information Packs was intended to smooth the actual process of purchase with key information made available prior to undertaking offers and negotiations about the sale but this initiative was brief, lasting little more than two years from 2007-2010 (Wilson, 2010). In addition, a fifth of first time buyer mortgage applications were refused in 2014/15, and 73 percent of households who considered making an application did not apply as they thought they would be turned down (DCLG, 2016). Working with education and counselling agencies prior to an application could ensure that more people are mortgage ready at the outset and limit the number of people that unnecessarily self-exclude.

Homeownership education and counselling courses speak to a range of these issues, providing independent and comprehensive sources of information for people considering homeownership, supporting their decision making, savings behaviour, credit repair, mortgage and property choices and guiding them through the full homebuying process, with the potential to increase the sustainability of the purchase. Furthermore, courses can act as a conduit to appropriate affordable homeownership options, providing accurate information about the schemes, and digestible, balanced and independent advice to aid the decision to buy, help people shop around for loans and properties and understand the purchase process. This is something to which others such as the Money Advice Service are making a contribution (Mustard, 2014). Getting homeownership wrong means risks for homebuyers, but also risks to lenders and the

[1] https://masassets.blob.core.windows.net/cms/files/000/000/203/original/Affording_your_home.pdf

state, in terms of managing unsustainable debt, potential balance sheet losses, associated costs of homelessness or family dislocation, adverse mental and physical health outcomes and potential market volatility (Pevalin, 2009; Nettleton and Burrows, 1998; Stephens, 2001).

The following chapter provides an outline of the importance placed on homeownership in the US, not least in the context of race in that country, and organisations' motivations for participation in homeownership education and counselling.

3: US homeownership and the motivations for education and counselling

This chapter reports on the motivations behind the homeownership education and counselling programmes, with an emphasis on the pre-purchase education. Pre-purchase education has emerged from explicit policies to promote the expansion of homeownership in the US, but has now shifted to an emphasis on creating sustainable homeownership.

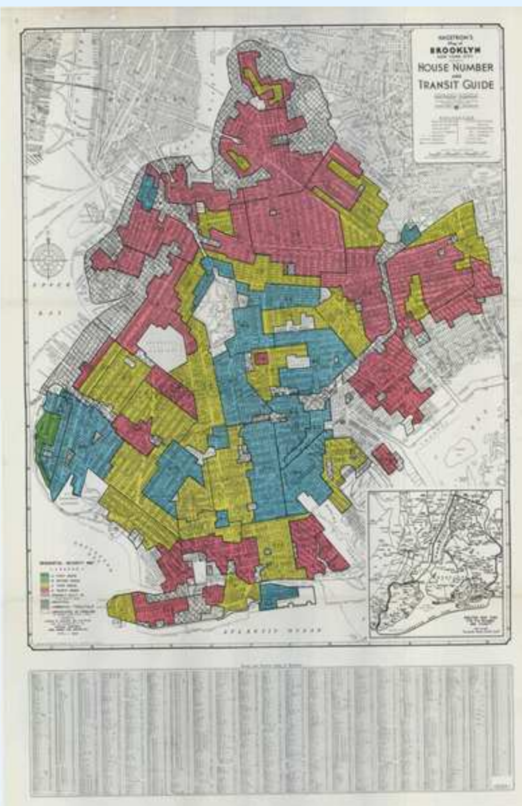
Community Reinvestment Act and Lenders

Many of the lenders visited reported that the Community Reinvestment Act 1977 (CRA) was a motivation for their involvement in low-income lending and homeownership education. The CRA states that banks who take deposits (savings) must also provide investment in the communities where they have a charter and take savings. Banks are required to demonstrate their commitments to LMI households or census tracts with high concentrations of LMI households. This legislation was a response to historic abuses by banks that 'redlined' certain, mainly black, neighbourhoods and would not offer loans to local residents (See Box 1). The legacy of under-investment in certain neighbourhoods is said to have ramifications for the vitality of neighbourhoods and the life-chances of residents today (Brick Underground, 2015). Regulators monitor banks with local branches to ensure that all neighbourhoods in the bank's' business activity area are served proportionately. Several local not-for-profit organisations visited noted that bank prosecutions had occurred recently in their areas (see Silver-Greenberg and Corkery, 2015). To avoid penalties imposed by regulators, banks undertake community development work to ensure CRA compliance in numerous ways, by providing guidance and support to not-for-profit housing agencies, offering lower-cost loan products to LMI households, supporting start-ups and small business as well as financing affordable housing development. Investment in local communities can also be in kind, so bank staff may also sit on boards of not-for-profit housing agencies or provide staff time to offer talks on obtaining mortgage finance for homeownership education classes, for example.

Legislation is not the only reason that banks participate in support to low-income mortgages and homeownership education. The CRA also means that lenders provide products tailored to the needs of low-income households and the Act cements their participation in homeownership education in conjunction with not-for-profit providers. Staff from organisations visited reported that CRA lending was often publicly identified as responsible for the subprime foreclosure crisis. However, few CRA compliant loans were undertaken on a subprime basis, 6 percent, compared to 28 percent of all mortgage loans advanced in 2006 and, critically, CRA loans have performed better than the wider market, with less than half the arrears rate for loans in lower-income neighbourhoods and lower than the overall arrears rate across all mortgages advanced in 2006 (Bhutta and Canner, 2013; Laderman and Reid, 2009; Bhutta and Ringo, 2015).

Many people visited accepted the positive impact of homeownership education uncritically but a minority identified the difficulty in determining the exact impact of pre-purchase advice and guidance from what was termed 'high-touch' CRA compliant lending that LMI households also received. Much lending is done online or at a distance from the originating bank, and so represents a 'light-touch' approach on the banks part. In contrast, LMI loans often also involve face-to-face consultations with loan officers.

Box 1: 'Redlining' black and minority neighbourhoods in the US and the Community Reinvestment Act 1977



HOLC map of Brooklyn, New York.

The Federal Housing Administration (FHA) was set up in 1934 after the Great Depression to stabilse the mortgage market and improve underwriting standards by setting the terms under which it would insure banks' lending. The FHA asked the Home Owners Loan Corporation (HOLC) to produce maps depicting the categorisation of city neighbourhoods across the US into levels of security for loans Type A- new affluent suburbs (green), Type B - Still Desirable (blue), Type C- Declining (yellow) and Type D- were considered the most risky and were coloured red. The red areas frequently reflected black and minority ethnic neighbourhoods and in practice lenders and the FHA used such maps to refuse loans in these areas, even if applicants were creditworthy. The patterns of disinvestment these practices produced echoes throughout cities today and contributed towards residential segregation based on race and ethnicity. The Community Reinvestment Act 1977 was a response to such discrimination and ensures that banks who take deposits and undertake business in these neighbours, give back to low and moderate-income communities and use their funds to provide loans to small businesses and homeowners.

Banks are only obliged to serve areas where they have branches and the legislation fails to reflect changing mortgage distribution channels where mortgage business today is increasingly undertaken online. This means that new centralised online banks are subject to less stringent regulation than traditional deposit taking branch-based banks and comprise a growing share of the mortgage market (Insights, 2013; Luquetta, 2014). Suggestions of unfair lending among centralised banks were not apparent, and these banks do offer some products to LMI households, but lenders visited intimated that the new online banks do less to support community development.

Undertaking homeownership education and counselling is for the most part a condition of being accepted for tailored LMI mortgage products, or for access to federal, state or municipal downpayment assistance, help with closing costs or matched funding schemes that provide public support for LMI households into homeownership. Indeed, providing access to additional support to purchase motivated 58 percent of course participants in a HUD evaluation, in addition to finding an appropriate mortgage and determining how much house they could afford (Turnham and Jefferson, 2012). It may be the case that more financially capable people self-select into these products, but nonetheless, the bundle of interventions that comprise CRA compliant lending to LMI households produces positive observable effects. It was also suggested therefore, that lenders are content to use homeownership education as a form of pre-application screening.

If mortgage products specifically tailored to LMI households perform well, why do lenders not offer LMI loans and homeownership education across all geographies and for all loans, not just those in areas where they are chartered for the purposes of the CRA? This remained unclear but several people intimated that lenders and realtors do not favour interventions that have the potential to impede the homebuying process, and that LMI loans with homeownership and counselling take time to complete or 'close' in US terminology. Also it is likely that the value of loans to LMI households are small relative to the work involved on the lender's' part and therefore may be less profitable.

Secondary markets are important in residential mortgage lending in the US, and the agencies that purchase lenders' loans influence the terms of lending by banks, as if no-one is willing to buy the originating bank's loans the bank cannot obtain further funds to lend. Fannie Mae and Freddie Mac and other government sponsored agencies that contribute to the secondary mortgage market regularly require the completion of homeownership education and counselling as qualifying criteria for LMI mortgage products (See Box 2). The terms these agencies set influence the terms of the loans that the banks offer. For example, to further support the uptake of education and counselling and incentivise lenders' participation, Fannie Mae offers $500 'credit' to the banks for each borrower who undertakes courses offered by HUD-approved housing advisors.

Promoting Homeownership

A further motivation for homeownership education and counselling was evidently the promotion of homeownership, not least for low income families. One of the national community development groups' trainer's manual is called '*Realising the American Dream*', a reference many people visited alluded to. US HUD videos for use by counselling agencies were tagged *#OwntheDream*[2]. On the ground, the emphasis was perhaps more nuanced, and focused on supporting people to be in the best position to decide if the tenure was correct for them and for them to obtain safe, decent and sustainable homes and become long term successful homeowners.

A number of factors influence the positive sentiment towards homeownership in the US. Most people visited took the view that homeownership was a positive good, that it achieved financial

[2] https://www.hudexchange.info/programs/housing-counseling/housing-counseling-works/

security, good neighbourhoods, provided access to better schools and health opportunities and provided stable communities. Some claims for homeownership are more evidenced than others, even in the US where there is a large body of work testing the economic, social and community claims for the tenure (Herbert and Belsky, 2008; Herbert, McCue and Sanchez-Moyano, 2016). The wealth building potential of homeownership is one area that is strong but contested.

Box 2: Fannie Mae objectives for participation in homeownership education and counselling

Our objective is to increase support for sustainable homeownership for borrowers facing more challenging financial and credit issues, and for those looking for more customized help.

We believe the Framework course is invaluable for all borrowers. The Framework course has a track record of success, and Framework continues to enhance its online course to incorporate best practices in adult learning. The interactive learning experience supports learners as they come to understand the full spectrum of homeownership. We recognize that some potential homeowners may want more personalized assistance and others may need additional help with challenging financial and credit issues that can be more effectively addressed working one-on-one with a homeownership advisor. Homeownership advisors are committed to providing unbiased, high-quality advice early in the homebuying process, before critical decisions are made – such as when to buy, which house to buy, or which mortgage is best suited to their financial situation. Homeownership advisors empower consumers to make informed decisions about their home purchase and to move forward with confidence. Working with an advisor can help prepare borrowers for success and improve loan performance for lenders and investors.

In certain circumstances, an online format may not be the appropriate option for a potential home buyer. The presence of a disability, lack of Internet access, and other issues may indicate that a potential borrower is better served through other modes (e.g., in-person classroom, telephone conference call, etc.).

Source: Selections from 'Homeownership Education and Housing Counselling FAQs' 26 July 2016

In the US concerns about wealth inequalities also sits against a backdrop of racial segregation and inequality. Housing wealth is unevenly distributed like other financial assets, but housing wealth remains the most evenly distributed asset class (Rowlingson and McKay, 2012). And yet homeownership among white households in the US stands at 72 percent at Q1-2016, but only 45 for Hispanic households and 42 percent among black households (US HUD statistics). While wealth inequalities over the last thirty years - including housing as well as other financial assets - have worsened, the top quintile wealth has increased substantially in comparison to the median or bottom quintiles', the gap between the wealth of people of different ethnicities is also acute.   In 2010, white households held almost 6 times the amount of wealth than blacks and Hispanics (McKernan et al., 2013). Several people visited supported the extension of homeownership for lower income households to close this wealth gap, not least in respect of the black community, as the accrual of housing equity was still considered to be the most effective way for LMI households to build wealth. Notably over half of course participants in a HUD evaluation of pre-purchase counselling were black African Americans and only 16 percent white

(Turnham and Jefferson, 2012). Course participants were also disproportionately female and young on low incomes.

On the one hand, people visited saw the passive saving through amortizing loans associated with homeownership - where all things being equal the proportion of housing equity rises as loans are gradually repaid over the term of the mortgage even if there are no capital gains to be made - as wealth *increasing*, making a significant contribution to black and/or low-income households wealth. Thus offering a potential way to close wealth inequalities and in doing so provide assets that households can draw upon throughout the life course, but particularly in retirement. Housing wealth can also be passed down as a bequest potentially bolstering the financial security of future generations. Although relatively illiquid in comparison to cash savings, housing equity can also be used to supplement household expenditure during the life course through equity withdrawal and remortgaging (Parkinson et al., 2009).

On the other hand, the subprime mortgage crisis disproportionately affected black people in comparison to white households, exacerbating the wealth gap, as black borrowers were offered loans on worse terms, with adjustable rates and/or subprime even if they would have qualified for prime loans, and were greatly affected by foreclosure and negative equity (Faber, 2013). Between 2007 and 2010, Hispanics saw their housing equity half, compared to a fall of a quarter for blacks and white homeowners (McKernan et al., 2013). While 56 percent of foreclosures between 2007 and 2009 were non-Hispanic white, blacks and Hispanics were disproportionately impacted by the recession, with 8 percent of blacks and Hispanics losing their homes compared to 4.5 percent of whites (Gruenstein Bocian, Li and Ernst, 2010). In this respect homeownership for people of colour was referred to as wealth *reducing*. Moreover, between 1970 and 2000, Sykes (2008) found that the rate of homeownership increased for all, including black households, but the wealth gap did not close as black households held homes of lower value.

There was also support for sustainable homeownership, and hence homebuyer education, as part of moves to revitalise weak neighbourhoods. Evident in all cities visited for a variety of reasons - lender or tax foreclosures, suburban development, deindustrialisation or combinations thereof - were neighbourhoods with either lower demand and/or higher incidences of foreclosures and empty properties. Indeed, in the Albany-Troy district, a community art project *Breathing Lights* was highlighting the problem of empty homes by lighting up empty properties in distressed neighbourhoods (see www.breathinglights.com). During the study trip, the New York State Governor Coumo announced legislation to ensure that banks who own these empty foreclosed properties, dubbed ‘zombie homes’, remain responsible for their upkeep until returned to the market (New York State, 2016). Homeownership was seen as contributing to the revitalisation and achievement of strong stable communities, rather than transient renter communities. Indeed, at the lenders conference attended, the banks’ regulators announced that lenders would be permitted to allow homebuyers to take out loans with loan to values in excess of 100 percent - where the rehabilitation costs exceed the market value - without penalty from the regulator if loans were accompanied by appropriate advice and support about the risks involved (Curry, 2016). This seems to shift significant responsibility and risk onto individual households to turn around neighbourhoods, although it appeared to be well received by attendees.

The perception that homeownership makes a disproportionately beneficial contribution to communities was challenged by a minority of people visited. New York, a predominantly renter city, was cited as an example of strong vibrant communities where people rented, albeit with constraints around affordability and gentrification in certain places. Regulations around renting in the States were seen, however, as being able to offer a secure long term home, in ways that private renting in the UK finds it difficult to do. Others contested that homeownership remained important, but whether it was to encourage existing residents of these neighbourhoods to buy or to use homeownership to attract higher earning incomers was a moot point in Albany and Buffalo. Not least as methods of preserving the current affordability in these neighbourhoods could be threatened if higher income groups moved in. Shared equity and community land trusts were enthusiastically discussed in all cities as ways to maintain affordability over the long term and not just for a new cohort of purchasers, although the trade-offs in terms of affordability versus equity gains were thought to be easier to 'sell' in high cost markets.

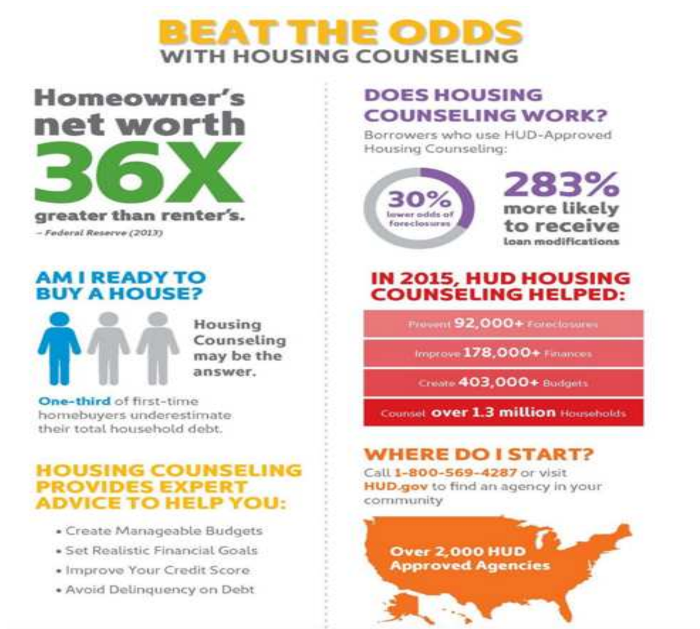
Photos: Can greater homeownership turnaround weaker neighbourhoods?

Left photo: Habitat for Humanity project courtesy of alloveralbany.com; Right photo: author's own of the Eastside of Buffalo.

Mortgage Market Regulation

In the US and the UK regulators increased financial consumer protection following the financial crisis and an issue that was explored during the study trip was whether this undermined the case for homeownership education limiting as it does risks from exuberant lending. In 2010, the Dodd-Frank Act in the US created the Consumer Financial Protection Bureau to monitor fair lending and strengthened US mortgage market regulation. Dodd-Frank introduced affordability tests and increased the level of disclosure about upfront fees and mortgage terms lenders must provide to homebuyers prior to closing or completion of the house purchase (Ficklin, 2016). Rather than undermine the purpose of homeownership education, the Act also created the Office of Counselling to scale the support and advice offered to homeowners and renters to access and sustain affordable housing, and ensure that agencies and counsellors are certified to provide consistent and professional support. Accordingly, staff from the organisations visited supported the stronger mortgage market regulation, and also the moves by the Attorney General in New York State to limit predatory and payday lending that pre-dated the Federal regulators' actions. But this did not mean housing market professionals saw a diminished role for homeownership education. On the contrary, most staff from the organisations visited thought homeownership education complemented better regulation and served to further protect homebuyers in the marketplace. People visited thought that homebuyers do not always understand the market, the information they are offered or the services required, nor were they always sufficiently aware to consider a wide range of factors during the decision to become a homeowner and during the process of homebuying, or know what to do should they run into payment difficulties. Homeownership education and counselling was seen as supporting household decision making - and deciding not to purchase was universally considered to also be a good outcome, if sometimes hard to reflect in performance data - and ensuring that people become long-term successful owners.

Photo: Promotional outreach material from US HUD Office of Counselling on housing counselling



Financial Capability

Another motivation for the use of pre-purchase HEC was that it bolsters financial literacy and enables people to enhance their skills and capability in this area. Many thought that homeownership education programs should be compulsory for all first time homebuyers, as income was not considered to be an automatic guarantee of appropriate financial decision making. Currently, homeownership education and counselling is available to anyone but is largely undertaken by LMI households wishing to use affordable homeownership subsidies, for which participation in pre-purchase programs is mandatory on almost all loans. An exception that displeased many providers were loans advanced under the auspices of the Federal Housing Agency (FHA), which at Q1-2016 represented around 17 percent of all loans made (US HUD statistics). There had been plans to rectify this gap and attach homeownership education and counselling to all FHA insured loans, which was widely supported by people visited, but

Congress failed to adopt the proposals.[3] Some people visited cited research that found school financial education had limited impact on financial decision making later in life and many considered that to have the greatest impact information had to be imparted when it was required, and delivered in such a way as to have the greatest potential to influence financial capability and behaviour. Tighter regulation was also seen as making it harder for some prospective homebuyers to obtain a mortgage, so increasing rather than decreasing the importance of pre-purchase programs to inform them of what lenders are looking for in mortgage applications and to work with people to save and also improve their credit scores.

Across all home buyers, younger buyers are challenged the most by the whole home-buying process. Fifty-eight percent of those aged 34 or under found finding the right property the hardest part of the process, with 27 percent finding that understanding the process and getting a mortgage was hard and 22 percent found saving for a deposit hard (NAR, 2016). All other age groups reported lower figures. But not all homebuyers have the same expertise in the homebuying market to draw upon to inform their decision making, or to guide them through the homebuying process. This was considered to be especially important for minorities who may be new to the US, new to the US financial system and housing markets, or have little history of homeownership in their immediate family and friendship circles. Several people visited also suggested that homeownership for minorities was also considered important in enabling them to access locations with greater opportunities in health, employment, education, for example, and that homeownership education was seen as one way of trying to overcome these imbalances and biases in US markets.

Another motivation for homeownership education and counselling among many people visited was that people need not-for-profits to support home purchase as there are plenty of players in the market that will direct them to more expensive products and services. Promotional videos emphasise that housing counsellors are people you can trust. Homeownership education and counselling was also thought important to overcome mistrust in financial institutions, particularly among minority communities, and help them feel more confident in navigating the market.

There were multiple motivations for homeownership education and counselling, including explicit promotion of low-income homeownership, but there was also now a much greater emphasis on sustainable ownership. There are mutual gains from screening of potential customers for lenders, to improving the confidence of homeowners to navigate the market and helping them avoid common pitfalls that have had such adverse consequences for many in the recent foreclosure crisis.

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[3] Despite LMI households frequently using FHA loans they are not the most cost-effective, as they have high mortgage insurance premiums. The US HUD Office of Counselling proposed to make all FHA approved affordable homeownership loans require pre-purchase counselling through the Homeowners Armed With Knowledge (HAWK) initiative, but this fell in Congress. HAWK aimed to reduce the insurance premiums by supporting homeownership education and counselling for all applicants, therefore improving the loan quality in the FHA portfolio. It was thought that lenders balked at moves that might delay closing the loans.

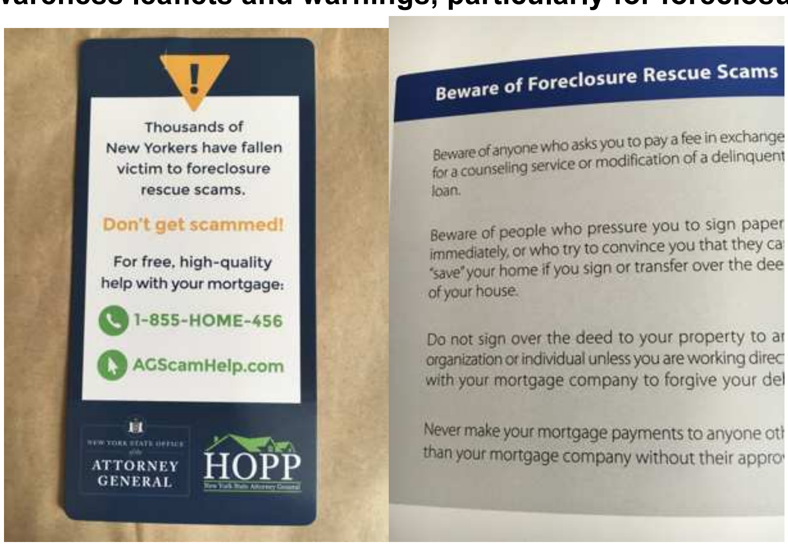
4: How is homeownership education and counselling structured and delivered?

Understanding the applicability of homeownership education and counselling to the UK involves understanding the nature of the intervention. This section, therefore, outlines the delivery, content and funding of the interventions.

Marketing

It was clear from the study trip that a range of organisations provide forms of homeownership education and counselling, from private sector lenders, realtors and attorneys to mutual lenders and not-for-profit affordable housing organisations operating on small budgets. The main HUD sponsored organisations offering accredited courses and approved counsellors were the small community not-for-profit organisations. These organisations are the main vehicles for delivering the approved content. A wide array of information is available to first time or existing homebuyers but US HUD and New York State Attorney General's office are operating 'scam aware' campaigns, warning of the dangers of rogue organisations taking advantage of people. This applies to pre-purchase and homeownership repairs and maintenance, but is particularly focused on post-purchase foreclosure counselling where people are encouraged to pay for advice that offers unrealistic promises, rather than get free independent advice from HUD approved counsellors. All providers reported local cases where people had signed over the deeds of their home and had their mortgage debt unresolved, despite having paid up front for guaranteed loan modifications. Similar sentiment against unscrupulous practices informed the support for the primary not-for-profit delivery of homeownership education, which could empower prospective purchasers to be sensitive to sharp market practices during their purchase and into the future.

Photos: Scam awareness leaflets and warnings, particularly for foreclosure counselling



Other parties, such as realtors, lenders or attorneys may offer similar homeownership education - although perhaps less comprehensive than accredited programs - but have, as many people termed it, ‘skin in the game’ or a vested interest and primarily use the sessions as marketing opportunities. In contrast, market intermediaries who participate in HUD sponsored courses are limited in their ability to promote their own products, although of course they are keen to pursue leads that may arise. One homeownership education and counselling provider visited did not let lenders, attorneys or realtors participate at all, wanting to preserve their program’s independence and neutrality. Others, however, welcomed the expertise of the market professionals and thought it wise for not-for-profit staff to ‘stay in their lane’, only providing advice within their realm of experience. Interestingly, researchers reported that private sector firms increase their credibility among pre-purchase course participants if they offer tuition during pre-purchase education, but conversely, the credibility of not-for-profit organisations reduces if private sector professionals contribute to the courses.

Photos: Examples of marketing material for homeownership education and counselling

Top left, private realtors offer found in a Brooklyn restaurant, then other not-for-profit material. Bottom right is the block party in Buffalo

Private providers’ marketing material of homeownership education seen on the trip was glossy, on thick card and appeared more sophisticated than the often photocopied paper publicity material of the not-for-profits. Not-for-profits are generally small and operate on limited budgets -

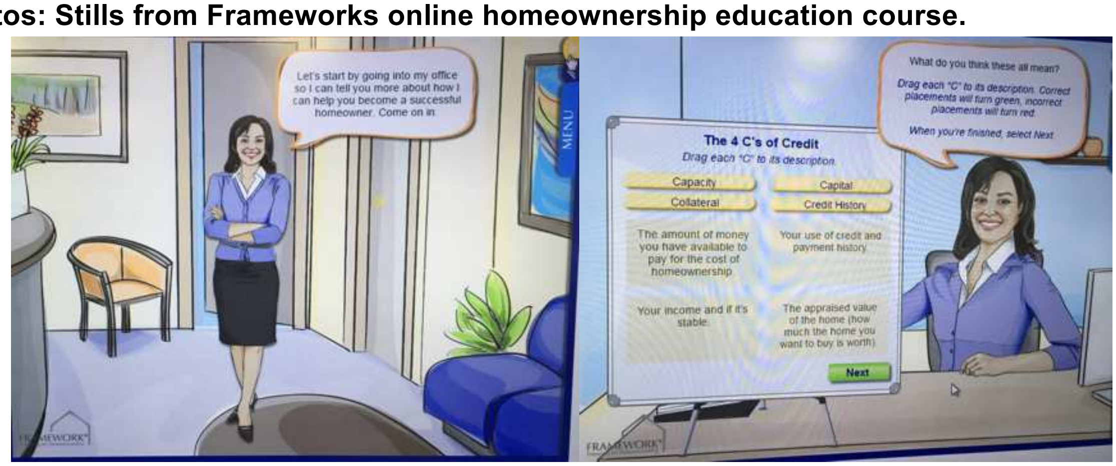
as an aside, not-for-profits' offices were much less modern or sophisticated than those of UK housing associations - and rarely had marketing funds, relying instead on referrals from lenders, or basic leaflets in libraries or other public offices and spaces to advertise their programs. One provider organised a block party, or street fair, to advertise their services and involved other market and not-for-profit agencies in the area.

Delivery

Providers not only vary, but pre-purchase education is offered in different ways. Two mutual or not-for-profit agencies visited offered large lecture style events to communicate the initial information about the decision to buy or not, a 'homeownership 101' class, with hundreds of attendees. Others advertised smaller classes with perhaps a maximum of 20 people for an all-day session, while others split the smaller classes into two 4 hour sessions or conducted shorter sessions over a longer period. Some classes were offered in the early evening, others on Saturdays. US HUD specify that accredited courses must offer at least 8 hours of tuition, although how this is structured and the number of sessions is up to the provider, subject to HUD approval. Some providers offer courses in a variety of languages, Chinese, Spanish or Portuguese, for example. Classes were often scheduled on a monthly basis.

Increasingly, homeownership education courses are provided online. These meet the needs of time-poor households, perhaps those with shifts workers or caring responsibilities, and those who wish to take their time over the content. Providers also considered that online courses met the expectations of younger millennials who conduct much of their business and life online. Providers often discouraged online courses, however, as online courses were generic and missed local market knowledge and advice, and lacked the engagement with others that classes provided. Two significant online courses offered by a range of banks and providers were *Frameworks* (www.frameworkhomeownership.org/for-professionals) and *eHome America* (www.ehomeamerica.org/).

Photos: Stills from Frameworks online homeownership education course.



The course is animated and includes interactive sections to ensure participants have understood and completed all sections. For an introductory viewing see: https://www.youtube.com/watch?v=1_Lc9xg4R3s

A lending intermediary reported that lenders like online courses as there are no 'speed bumps', anything that would hold up the process, before closing. Indeed, Fannie Mae report that 66 percent of Frameworks participants completed the course in a day and 94 percent in one week, with 96 percent of participants saying they learned as much or more than they expected and 91 percent reporting that the course increased their understanding of the home-buying process (Fannie Mae, 2016). Having observed an education class and the online module, I found the class far more engaging and informative (see Box 3). A new version of Frameworks 2.0 was released July 2016, with the graphics and content revised and made available on mobile phones, which may be more engaging.

Box 3 : Observations of homeownership education courses

I observed a four hour course, part 1 of a NeighborWorks based program in a local town hall in Erie County. There were around 10 people mostly men, aged in their 30s-50s, half of whom were already enrolled in the First Home Club program, a matched savings scheme that helps LMI households save for a downpayment. The tutor had long experience in the field and undertook all parts of the session herself. Prior to attendance participants completed a basic income and expenditure questionnaire that the tutor reviewed to provide individual pointers about being mortgage ready. The tutor highlighted her availability for further individual support after the class.

The course went through the positives and negatives of owning a home, revealed the 'behind the scenes' processes and issues of value to the lenders and credit industry, showed people tips and tricks of saving and paying down debt, how to assess the real affordability of a loan, what to look for when getting pre-qualified (agreement in principle), how to manage student debt, shopping for a loan, and what fees would be required to close on the purchase. A housing director from the local municipality also dropped in to provide leaflets and application forms for downpayment and closing costs grant assistance in that area. I found the course illuminating and a brief discussion with some of the participants found that although some had attended due to it being compulsory for the First Home Club they had learned something, although some were further into the homebuying process and were particularly looking forward to the next session on finding and securing a property. The next instalment of the course would also highlight being a successful owner post-purchase. On the downside, I felt the risks of house price falls and negative equity was a serious omission. Not least as to get to the course venue I had driven past what had once been one of the largest steelworks in the world, now a rusting shell of its former self, a reminder perhaps of the weaker local economy. It was, however an issue that could be briefly and easily addressed in any course. Nonetheless, I felt the course was positive and I was particularly impressed with the section on understanding credit scores. I could see that quite a few people had their chance to ask questions, obviously found the content relatable, and received impartial advice and support.

I also observed the content of the Frameworks online version of the course during a visit to another not-for-profit provider and although I could see the themes covered were similar, the mode of delivery was to me less engaging and the content less detailed, with fewer tips on how to avoid common pitfalls or sharp market practices. The animated style may hold mixed appeal, but the content and design are changeable, and does not necessarily undermine the conveyance of key information and could be adapted over time.

Local not-for-profits or lenders also offered their own online courses. Some felt compelled to offer online content as in some instances class attendance had decreased and this was more broadly the general direction of service provision, encouraged by national umbrella groups. Critically, remote delivery is also less expensive for providers in the long term. Investment to develop independent local online services was limited, however, although one provider wanted to explore interactive webinars and the more sophisticated platforms like Blackboard and online learning packages used in universities, rather than the currently fixed webpages that they could not alter themselves. Some providers were agile, however, and one had undertaken an online course for a serving soldier in Afghanistan who was closing on his purchase shortly and needed a certificate to show he had undergone homeownership education. (See Appendix C for an example certificate.) While the bulk of content can be delivered virtually, most online courses were nonetheless followed up with a short one-to-one session to answer any questions and for the counsellor to determine whether the person had understood the content before issuing the certificate.

Many of the course providers followed up the classes with individual counselling, commonly guiding people through credit repair, savings and mortgage applications and worked with some people for a year or more before they were mortgage ready. Almost all providers reported that since the financial crisis people found it harder to obtain credit and so providers regularly worked with people for much longer to improve their savings and/or credit and obtain quality mortgages.

Historically, the content of the courses was left to individual providers and there had been problems with consistency and quality. US HUD have moved to standardise course content, so course materials and the curriculum must now be approved for accredited providers and counsellors (see Box 4).

The curriculum is contained within the *'Realising the American Dream'* training manual, which has been through several iterations, and all not-for-profits visited used this training guide whether they were members of NeighborWorks or not. The trainer's manual provided advice on how best to deliver the courses as well as the content that should be covered, and includes detailed content, worksheets and activities on:

- the decision to buy a home, are people ready;
- money management, savings, paying down debt and budgeting;
- understanding credit, managing credit prior to mortgage application and credit repair;
- obtaining a mortgage, including non-traditional and predatory lending;
- shopping for a home, steps in the process, key professionals, ; and
- protecting your investment, repair or improve, neighbourhood, refinance.

Box 4: Encouraging nationwide quality via National Industry Standards

The National Industry Standards for homeownership education and counselling were developed collaboratively by industry partners including lenders, national consumer regulators and community development umbrella groups. The purpose is to achieve *'homeownership done right'*, to increase the reliability and quality of homeownership education and counselling, to provide confidence for homebuyers and instill professionalism and credibility for all stakeholders involved.

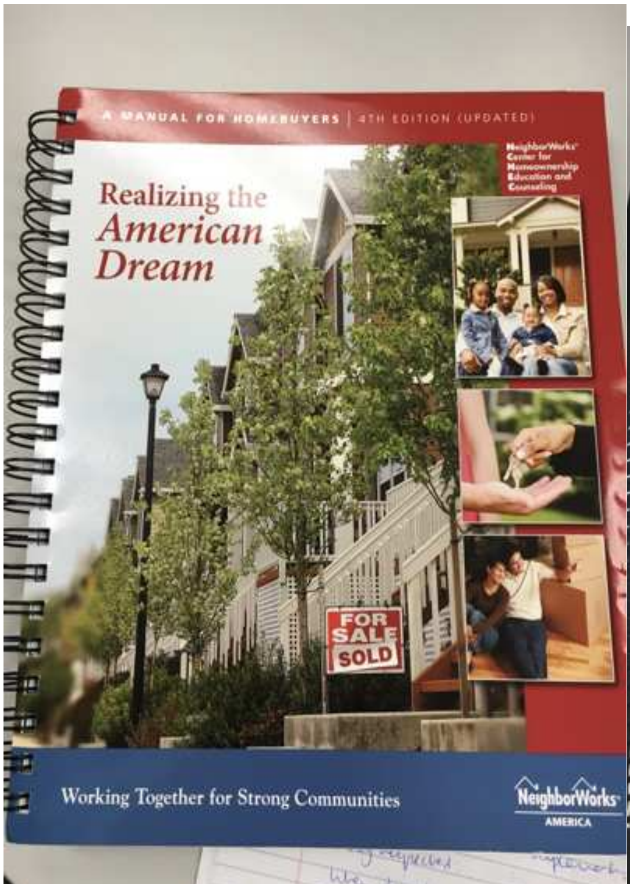
There are 6 core areas for homeownership education and counselling services: **Competency**, including strong knowledge of the homebuying process, money management and credit; **Skills**, including communication and listening skills, adult education and facilitation skills; **Training**, with recommendations for a maximum number of hours of training and certification; **Operation knowledge**, regarding programs, fundraising and marketing; **Code of ethics and conduct**, which practitioners must sign and abide by; and **Performance standards**, including standards for delivery, curriculum, recordkeeping and reporting.

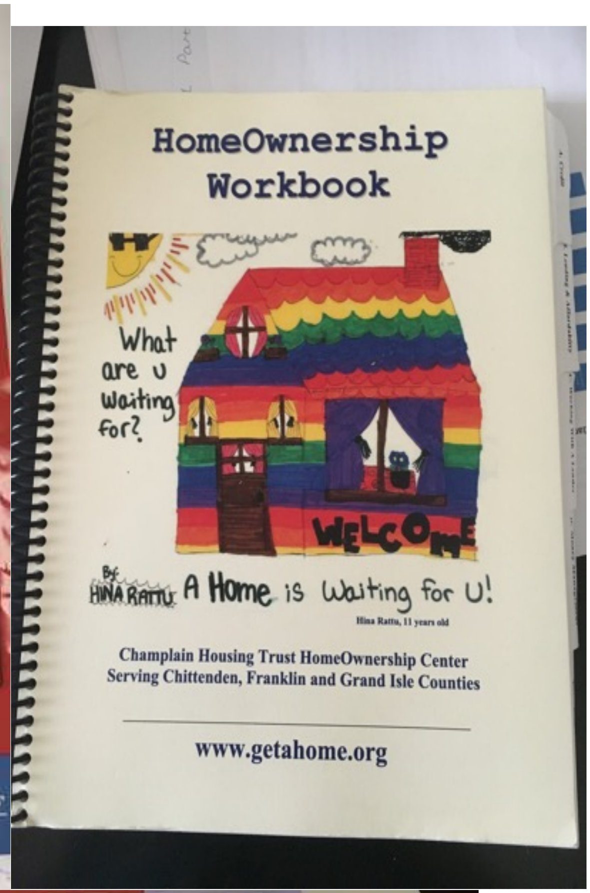
The benefits for the community organisations to adopt the standards are said to be promoting responsible and sustainable homeownership in the community, provide consistent content, raise awareness of the field, gain the public's trust, provide professionalism, reassure funders of quality of services provided, allow consumers to identify organisations that adhere to the standards and elevate the industry's reputation. For homebuyers, standards should provide a solid source of information before and after purchase, make sure counsellors serve with competence, fairness and respect; clients receive consistent and correct information; and that counsellors are provided with the proper tools , support and training.

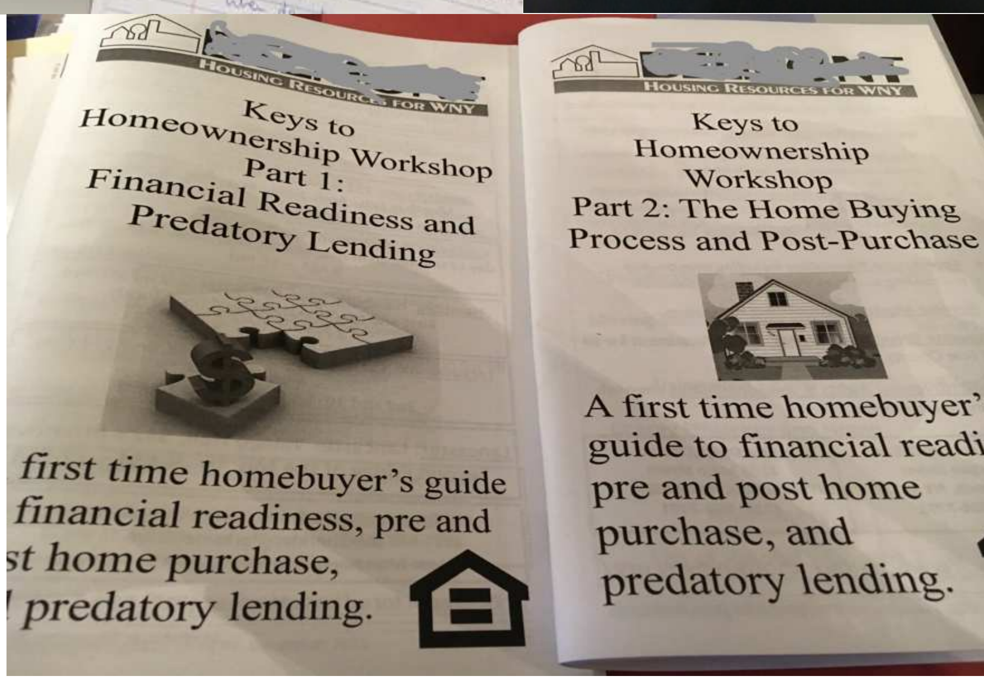
Further details of the standards and the required content and outcomes are provided in Appendix B.

Course content is based on the national standards and attendees received local course materials in the form of large handbooks or smaller booklets with worksheets and sources of further information. The online courses largely follow the same curriculum, and provide interactive sections for participants to complete to earn the certificate. While Fannie Mae supports Frameworks online counselling only, others like Freddie Mac support other providers as well. Local agencies are also free to include local market knowledge or scheme specific information. Providers visited included additional information on affordable neighbourhoods to buy in in New York City; details of specific affordable homeownership schemes, such as community land trusts, shared or limited equity purchases; local schemes to support downpayment and closing costs; and energy efficiency and environmental hazards in the home. It seemed that there was room for additional local risks to be explored on the courses such as flood risk in New York City or, as mentioned, the potential for negative equity and what it might mean, particularly in some Buffalo and Albany neighbourhoods.

Photos: National training guide for homeownership education counsellors and local training material for course attendees







Of tangential interest, the courses explained the issue of '*escrow'* accounts. These are where US lenders hold monies for homeowner insurance, property taxes and possibly other property charges in a separate account for the first year of the loan. The lenders then undertake to meet the borrowers' insurance and tax commitment's using the funds from this escrow account. It is an interesting idea to limit third party defaults that could threaten the surety of the loan, although it increases upfront transaction costs for some purchasers as lenders request up to a year of charges upfront to ensure no defaults occur in the initial period of the loan. Could UK lenders hold savings in such an account to cover income shocks, or permit marginal borrowers finance if such an account was in put in place? UK lenders often permit people to overpay mortgages that would in effect act as a buffer in the case of missed payments, but could it also be used to cover other charges, such as service charges or shared ownership rent, perhaps? Using 'nudge' techniques derived from behavioural economics, auto-enrollment has increased pension contributions.[4] Through similarly changing defaults – from borrowers taking the initiative to opt in to saving to the borrower having to opt out of saving - there might also be scope for auto-savings escrow type accounts to provide buffers to increase the sustainability of homes for marginal owners in the UK.

Timing

The timing of courses was also considered critical. Researchers and providers visited said that some people frequently attended the courses at the last minute, purely to obtain the certificate to obtain a low cost loan or help with downpayment assistance and closing costs prior to completing their purchase. Late attendees were often less engaged with the course content. All providers observed that while late attendees still exist that since the financial crisis the length of time people were working towards homeownership had lengthened so people attended courses earlier in the process. Prior to the crisis easy subprime credit was available and people could satisfy their desire to purchase readily, even if against the counsellor's advice to wait and save or repair credit when a mortgage could then be obtained on better terms, for example. Now that route to ownership is largely closed, people have to save longer or remedy defects in their credit score first. Subsequently, agencies have people on their books for longer periods. This presents a problem as the homeownership education courses were often designed to provide all the information in one or two large chunks, even if people cannot act on that information immediately. Providers have found people obtained certificates of attendance that expired before they got to make their mortgage application or receive downpayment assistance, meaning some borrowers were required to retake the courses. Other providers were trying to ensure the correct information - an introductory overview, details on deciding to purchase, saving and credit repair, content on home buying processes and sustaining the home - were offered separately and appropriately, at times that had the best chance of positively influencing behaviour.

[4] https://quarterly.blog.gov.uk/2013/10/22/how-a-small-nudge-is-helping-people-save-for-their-retirement/

The HAWK initiative, proposed to make homeownership education and counselling compulsory for FHA sponsored loans, that Congress failed to approve (see footnote page 23), also included a post-purchase counselling session to review budgets and ensure the homeowners understood the responsibilities of ownership and to give advice about sustaining their home and investment. There is some evidence that post-purchase counselling that includes goal-setting and quarterly monitoring, is also effective in remedying default and permits more risky borrowers to purchase (Moulton et al., 2015). One provider of low-income loans in Massachusetts provided a comprehensive Homeowner's Resource Guide on completion, providing advice about annual home inspections to keep abreast of maintenance, a guide to home improvements, home safety, security and environmental issues, guidance on property management in apartments, and avoiding defaults and foreclosures. However, providers visited found it hard to re-engage previous participants after purchase unless there was already a default, or unless for a specific purpose, such as home maintenance classes. Research does suggest that lenders may be able to play a greater role in this post-purchase space (Moulton et al., 2015). Not -for-profits were, nonetheless, a conduit for accessing further support for low-income homeowners including grants, advice and support for lead removal, weatherization (roof, guttering and window type repairs), energy efficiency measures, and general home repair and maintenance. One not-for-profit helped homeowners apply for refinance or provided grants and equity loans, and organised the work and hired contractors on the homeowner's' behalf, much like care and repair types schemes for older homeowners in the UK but these supported repairs were undertaken for any homeowners. Minor repairs and help with costs of materials were also available for low income homeowners who were seniors, lone parents or if people had a disability.

Reception

Despite indications that many homebuyers have a poor understanding of mortgage finance or the home purchase process, one concern prior to undertaking the Travel Fellowship was that participants might view homeownership education programs as patronising, not least as attendance is mandatory for many affordable homeownership interventions in the US. However, researchers had not found this to be the case during various focus groups. Providers' staff observed that while a minority of attendees were certainly resentful at losing time during the weekend or evenings, these people generally reflected that they had learned something, and others came away enthusiastic about the content. Several not-for-profit providers operate affordable homeownership programs funded by local universities so their staff could buy a home near the campus and one noted a highly educated first time home buyer who was not keen on attending the mandatory course, but after the event were delighted with the content.

Funding

Not-for-profits obtain funding from US HUD for people attending courses and most also charged participants a small fee, in the region of $75. One provider charged more for online courses, $100, to incentivise attendance at face-to-face classes, while another offered classroom-based courses for free. Short seminars, lectures or 'Homeownership 101' classes were also often free. The appeal of online courses at least for the initial stages was attractive as the costs were lower for providers, as face-to-face counselling is labour intensive, although widely considered to be more effective. The trial of the effectiveness of different modes of delivery of homeownership education will illuminate whether this is the case (De Marco et al., 2016). One person visited also noted that after the financial crisis private providers had developed telephone foreclosure counselling call centres that they were now looking to utilise for pre-purchase counselling as well, so there may be further developments in the modes of delivery of the education and counselling components of the programs. Large scale investment in the sector was difficult as not-for-profits have very limited and fragmented resources. As lenders also benefit from homeownership education and counselling there were discussions about how to get them to also fund programs. Some banks, including the Bank of America, have developed a network of HUD approved providers and make referrals to them with fees attached (Bank of America, 2012).

Performance

Providers were monitored on the number of people seeking homeownership education courses, how close to being mortgage ready and to the home purchase they were and what outcomes were achieved. Several IT systems were used but a nationally provided Counsellor MAX client management system was commonplace, a web-based system that managed contact with the clients, produced documentation, monitored clients through the education and counselling process, recording their circumstances and details and producing the necessary outcome reports for funders such as HUD (www.counselormax.com). Another client management system was Fannie Mae's Home Counsellor Online package (www.fanniemae.com/singlefamily/home-counselor-online). All providers agreed that people deciding not to buy a home was a valid and successful outcome of the courses if homeownership was not for them, but some felt that this was not reflected well in the monitoring data and also difficult to determine without extensive follow up contact. One community development worker for a large lender also agreed that the outcome measures could better reflect the softer work not-for-profits undertake to support people saving or improving credit prior to readily quantifiable mortgage applications or home purchases, for example, and that it was something discussed among stakeholders. Local providers operate in the tens and hundreds of people, with one not-for-profit provider providing the following performance data for illustration (Box 5). This work was undertaken by 1.5 full time equivalent staff members, and the organisation was a member of a regional coalition of providers for professional support and development (https://homesmartny.org/).

Box 5: Illustration of pre-purchase counselling activity in 2015 for one not-for-profit provider

708 attendees at Homeownership 101
101 used First Homeclub matched savings, with 202 still participating, including 144 newly opened accounts
151 received homebuyer education certificates
164 purchased first home

This compares to 134 people counselled about foreclosure that included 98 new cases.

Local housing markets

The housing market context to the courses changed significantly between the different cities visited. Buffalo and Albany had much lower housing costs compared to Boston, New York City or Long Island. The broad content of the courses or issues faced in supporting people to get mortgage ready or purchase were the same, but there was a greater emphasis on affordable homeownership options, such as shared equity or community land trust options in higher cost areas. These schemes were not widespread but were still important entry points to the market for LMI households. One course provider engaged local law students to act pro-bono and explain the shared equity leases to prospective purchasers to ensure maximum comprehension of the purchase. The types of home available to LMI households also changed with geography, so condominiums and multi-family housing was more prevalent in Boston due to affordability constraints, but was specifically ruled out of downpayment and closing cost schemes in Buffalo. Lenders were less keen on these forms of housing, due to the incidence of private landlords and risks posed by absent or unprofessional landlords. The legal basis and risks of homeownership therefore were slightly different and would need to be reflected in the local education and counselling programs, perhaps harder to incorporate in national online offers, but could be included in the face to face follow on sessions.

5: Is there a role for homeownership education and counselling in the UK?

Homeownership has now become a principal affordable housing option in England at a time when the safety nets that support struggling borrowers are failing. Although the financial crisis was less pronounced than anticipated and certainly less profound than the foreclosure crisis that hit many US states, it would be myopic to think that sustainable homeownership is a resolved issue in the UK. Recent policy announcements have not tempered the UK's housing market volatility and so the question is when rather than if another market downturn occurs. The precise nature of any market recessions are likely to be different as mortgage lending has stronger underwriting and it is apparent that flexible labour markets have lowered job loss, but also lowered job quality in some instances, with rising under-employment and low grade self-employment. Within this context state support for struggling homeowners is reduced, but sustaining investment in homeownership has never been so important to personal financial plans despite wildly different housing market experiences across the country.

There is a uncertainty over whether public subsidies for homeownership will lower the threshold to entry to homeownership, so LMI households can enter and/or re-enter the housing market; or whether an expanded affordable homeownership sector will mainly meet the needs of middle to higher-income households in high cost areas. This may largely be dependent on local housing market conditions. The Government in England has a policy aspiration to increase the scale of shared ownership housing available and housing providers are gearing up to meet this policy aspiration, while recognising it may not be possible in some localities. In these circumstances a greater emphasis on rent to buy is mooted, which would see supply increase while retaining the emphasis on homeownership. Simultaneously, social housing tenants are encouraged to own as their tenancies will be time-limited or those on even modest incomes will face increased rents through 'Pay to Stay'. Local homeownership product innovation, through schemes such as *Genie* from Gentoo Housing[5] or *RentPlus*[6] is welcome in trying to resolve affordability constraints but also adds to the complexity of products and choices new homebuyers need to make in some areas, where government sponsored Starter Homes, Help to Buy, Rent to Own and shared ownership will also be available. Of course, a more tenure-neutral housing policy may be preferable but that is not what currently exists, and so efforts to ensure that any moves to drive up homeownership are undertaken responsibly complements this policy agenda.

In these circumstances, the Travel Fellowship and the accompanying research evidence point towards a role in the UK housing market for some form of comprehensive information giving and support for prospective homebuyers, particularly for marginal buyers or those considering entry via the affordable homeownership sector. Wholesale emulation of US methods of accreditation,

[5] http://www.insidehousing.co.uk/business/development/land-and-construction/axed-genie-product-set-for-relaunch/7016684.article
[6] http://www.insidehousing.co.uk/rentplus-1bn-plan-for-rent-to-buy/7015146.article

training and delivery may not appeal but adopting the spirit of independent and comprehensive home buying information to first time buyers by reconfiguring the delivery of the skills and services that already exist within the UK would be mutually beneficial to homebuyers, lenders and providers alike. Housing providers may benefit by such courses limiting the chances that purchasers misunderstand shared ownership leases or the terms of any other schemes, and providing realistic expectations of the service. Homebuyers benefit from a comprehensive information service and tailored follow-up that suits their individual position, helping them overcome credit or savings obstacles, and understand the whole process. If constituted with an element of face-to-face counselling, homebuyers also have the opportunity to forge a link with a source of advice that the US literature suggests could pay off at a later date in cases of mortgage arrears or repairs issues. For borrowers there are benefits in being given clear consistent comprehensive independent education and advice, tailored to their needs, outwith a range of agencies' marketing strategies. Although potential payoffs to lenders and providers are apparent, in terms of screening, comprehension of products purchased and lower default, it is the strengthening of a households' decision making, confidence to navigate the market and their increased ability to have a successful and sustainable home that is the main driver for adopting a similar approach to US homeownership education. In this way, the courses can contribute to limiting adverse outcomes that increase financial and psychological distress and dislocation that comes with struggles with mortgage debt.

The conversations had with numerous US providers and intermediaries, as well as the compelling evidence of existing research, suggests that a similar provision of homeownership education could help UK first time buyers. How prospective buyers understand the market and the choices to be made within it to secure their own future is not well understood, although there are indications that lower income households are less well equipped to negotiate housing and financial markets. Homeownership education and counselling in the US seeks to offer *'homeownership done right'*, and avoids a policy drive towards the tenure focusing on the opportunities without due regard to the downside risks and bolsters home buyers abilities to optimise their purchase, or indeed decide that ownership is not for them.

Since mortgage arrears and possessions have declined after the financial crisis, the policy profile of sustainable homeownership and low-income homeownership has reduced, replaced (understandably) with concern about affordability and deposit barriers to ownership and the travails of social and private renting. And yet the risks to homeowners are both cyclical and ever present. There should be a greater emphasis on balancing the information asymmetries between lenders and providers on the one hand, and new borrowers on the other, in respect of the risks and realities that homeownership entails. Even after the focus of the crisis has shifted and we remain in a historically low interest rate environment, 9 percent of homeowners in the lowest income deciles have mortgage arrears compared to one percent of those in the top income group (DCLG, 2015). Indeed, around 12 percent of mortgagors remain very concerned about difficulties paying their mortgage (Bunn, 2015), which relates to approximately 817,000 households. Housing market downturns and economic shocks may periodically amplify the incidence of those struggling with arrears and possessions, but payment shocks happen throughout market cycles. Stronger mortgage regulation will limit the fallout of those with a tenuous hold in the housing market, as it has successfully removed many of the excesses in the previous market, but even borrowers with well-underwritten loans become unemployed, suffer ill-health or relationship breakdown. Policy should also offer support to struggling owners at all times, not only when spillover effects threaten wider market interests. Not least because of the adverse impacts on household members' physical and mental health, social networks and incidence of poverty. While moves to alter the affordability problems of UK housing and the reform of mortgage safety nets would be welcome and necessary, the UK could also do more to help prospective purchasers negotiate the market as it currently stands. Services that draw attention to hurdles that can be overcome, the limitations and risks that exist, help consumers understand the products they are buying and how to build buffers to temper adverse consequences of unsustainable or strained experiences of marginal ownership in the future.

There is an obvious role for organisations with interests in the affordable homeownership sector to deliver the courses, for example, registered providers, Help-to-Buy agents, lenders but possibly also private contractors such as those that undertake the advice for the DCLG right to buy hub.[7] A UK online course could also be developed for use by these organisations, followed up with local face-to-face sessions. Obviously the configuration of the services would be up for negotiation. But lenders and investors may be reassured that consumers understand the terms of the mortgage and subsidised homeownership product, have had the best opportunity to understand how to manage their loan and avoid default and know what to do when circumstances change. This may have the potential of widening the market for affordable homeownership lending.

How to deliver the sessions would also have to be considered. The UK has people with the housing market, credit counselling and mortgage market expertise although they are likely to be spread across different agencies and sectors. Any consideration of adopting a similar service would have to adopt a multi-agency approach to devise face –to-face and/or online systems and train people to deliver agreed content in each locality. The skills and resources are available in the UK, although they are found among different players. Home buyers can consult respected brands, for example, Martin Lewis' *moneysavingsexpert*, CAB, Shelter etc. There are UK networks of social housing providers, significantly more resourced than the US not-for-profit community housing agencies, that already provide a degree of homebuying support geared towards sales, and associations often have separate financial inclusion teams. Substantial sums are currently spent on marketing and promotion of affordable homeownership opportunities some of which could be top-sliced to ensure prospective purchasers make informed choices. Anecdotally, some housing associations are already considering online training sessions to explain shared ownership to prospective purchasers to avoid misunderstandings The voluntary or extended right-to-buy initiative among housing association pilots may also offer insight into how new marginal buyers could be supported.. It is not a great leap of the imagination to envisage broader courses addressing the whole gamut of what buyers must know and consider to achieve successful homeownership.

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[7] http://www.mwultd.co.uk/news-and-information/press-releases/move-with-us-appointed-to-run-the-official-right-t/

Interestingly, the dedicated DCLG right-to-buy hub (https://righttobuy.gov.uk/) which guides people through the process of buying their social rented home, chases applicant's councils for them and provides guidance on what to do if the council delays the process. The website is detailed in some of its support, with links to Money Advice Service pages, but limited in comparison to the wider advice and support new buyers receive in the US or what is required to help them make a decision to buy or get ready to purchase. It seems the purpose of the site is to increase right-to-buy sales rather than provide wider neutral support, but it does, however, provide a precedent of a central telephone-based homeowner support service. Also the existence of this service suggests that DCLG were possibly concerned that councils would delay applications as in the 1980s, where Norwich City Council were taken to court by the Government as they delayed applications while tenants received counselling to inform their decision to buy and inform them of the risks involved (Blandy and Hunter, 2013). The mortgage market now differs from that in force when the right-to-buy sales were at their peak, and the defaults and other issues experienced by right-to-buy purchasers (Cole et al., 2015) may now be tempered, but perhaps there is merit in providing a similar foundation to support informed decision making. DCLG also sponsored promotional material on the *ownmyhome.gov.uk site*, which could also act as a hub for support, alone or in conjunction with registered providers, housing advice and/or debt agencies. The courses and follow-up support could comprise comprehensive, consistent and independent information and even a triage resource for providers and lenders.

There are well attended first time buyer or shared ownership property fairs, held regularly in London, and occasionally in other cities, where a range of organisations in the property buying industry are available to talk to attendees and market services, affordable homeownership schemes and products to attendees (see photos below). These property fairs or drop-in sessions are marketing opportunities for intermediary services, direct and affordable homeownership sales, but are well attended and demonstrate a thirst for information, advice and support on the part of first time buyers.

Significant investment goes into the US homeownership education programs, not least in professionalising the sector through training and certifying counsellors. Perhaps this is in the context of widespread market abuses of advice and 'scams' that they experience. Although, the UK is not devoid of such practices with the private 'sale and rent back' schemes targeted at struggling homeowners coming under scrutiny following the financial crisis[8] and market or estate agent practices such as gazumping, being tied into using agents' mortgage broker or pressurizing buyers into making offers, for example[9]. Accreditation may not be necessary at the outset, and relevant stakeholders, National Housing Federation, Council of Mortgage Lenders, Financial Conduct Authority, and Money Advice Service etc. could agree a curriculum, based on evidence and experience of consumers' understanding of existing services and financial products. Funding could be drawn from current activities as a range of agencies have

[8] https://www.citizensadvice.org.uk/debt-and-money/mortgage-problems/how-to-sort-out-your-mortgage-problems/sale-and-rent-back-schemes/
[9] http://hoa.org.uk/advice/guides-for-homeowners/i-am-buying/estate-agents-tricks/

substantial marketing budgets, house builders and lenders' have Foundations or corporate social responsibility sections, and others are already active in this field. Government already funds the Money Advice Service and a centralised Right to Buy application hub. Participants can also be charged small fees.

Photos: Property fairs operating in London and Manchester supported by First Time Buyer magazine and the Mayor of London respectively

There are therefore a range of resources and organisations whose approaches could be drawn upon or reconfigured to offer an independent and comprehensive UK homeownership education package covering the full spectrum of knowledge required to inform the decision to buy, how to proceed and how to sustain a home. Consideration would have to be given to the information to be included, and the means of delivery (initial Homeownership 101 sessions, to smaller classes or online courses with follow-up individual counselling sessions as required). The best methods of online course content delivery would need to be explored, including different interactive platforms and graphics, but none of this is unsurmountable.

Finally, it is hoped that this Travel Fellowship starts a conversation about how to support new marginal homebuyers, or those who have been out of the market for some time and require support to re-enter, with the intention of ensuring the sound delivery of any sustainable homeownership policy.

Summary of recommendations

- **For agencies involved in low to moderate-income homeownership to adopt a form of pre-purchase education and counselling.** This is to support confident and informed decision making in respect of whether to buy, becoming mortgage ready, shopping for a mortgage and property, understanding products, the homebuying process and about maintaining and sustaining the home in the long term.
- **Key agencies should convene a working group to consider course content and delivery.** Agencies that should be involved and could take the lead include the National Housing Federation, DCLG, Council of Mortgage Lenders and the Money Advice Service.
- **At a minimum, an online offer supported by local networks of counsellors should be instituted.** Exact forms of delivery, the timing and content are up for negotiation, but at the very least an online offer is likely to appeal, be cost effective. This should be piloted in selected areas, supported by individual support in person or on the telephone and evaluated over the long-term.

The key messages of the research and the formal recommendations will be disseminated through existing policy networks, direct contact with key stakeholders, blogs and media articles aimed at housing and mortgage market professionals.

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Appendix A: Contextual housing market information

The travel fellowship involved visiting housing market organisations and events in 4 major US cities, 3 of which were contained in one State with consistent regulatory systems: BUffalo, Albany and New York in New York State and Boston in Massachusetts.

Buffalo in Western New York State is in the US 'rustbelt', areas of industrial and population decline[10]. Once a centre for steel manufacturing, this industry closed in the 1980s and now the city's main employers are in education and healthcare (USHUD, 2012). The population shifted out of the city and halved over time, reducing from around 580,000 in 1950 to 261,000 by 2010 (US Census). Some 3,600 people left the city annually between 2000 and 2010, leaving the city authorities to demolish 6,200 vacant properties - mostly single family homes in serious disrepair - during this same period (USHUD, 2012). Such legacy cities have higher concentrations of poverty and lower median household incomes. The city has been considered to have a balanced housing market, where supply met the demand, and housing costs were historically low. More recently, population decline has slowed, the Eastside - subject to high vacancy rates - has stablised and Westside communities are seeing prices rising, meeting the needs of a growing population of 25-34 year old young professionals moving back to the city. Nonetheless, relative to other areas, prices remain affordable compared to incomes. New investment in the waterfront and renovation of empty historic buildings has brought positive outlook to the city, but concerns remain of retaining access to affordable homes. Figure 1 illustrates the disparities in house prices across the Buffalo city area. Orange and yellow areas have median sales prices in excess of $400/500,000, grey areas have no sales data and dark green areas have sales prices in the region of $32,000. Median household income in Erie County (wider than Buffalo city itself) is $67,300.[11]

Albany, is the State capital and hosts the government administrative buildings. The homeownership rate for Albany County was 57.5 percent in 2010. (USHUD, 2014). The wider metro area of Albany and surrounding area lost manufacturing employment but has recently attracted technology jobs, health and social care and leisure and hospitality jobs, but failed to replace all jobs lost after the financial crisis (USHUD, 2014). The population is relatively stable, with annual growth of 0.2 percent between 2010 and 2014 and the housing market considered to be balanced. Albany's vacancy rates are lower than Buffalo (about 10 percent compared to over 15 percent in Buffalo) but remain an issue in some local neighbourhoods. Foreclosure sales, however, represent 8 percent of the market and are thought to depress prices by 40-60 percent. Nonetheless, the median house price in the Albany county submarket for a new home was $370,200 in 2013. Figure 2 depicts the sales prices across Albany, with the orange area having median sales prices of $622,000, the yellow areas having median prices ranging from

[10] http://www.legacycities.org/

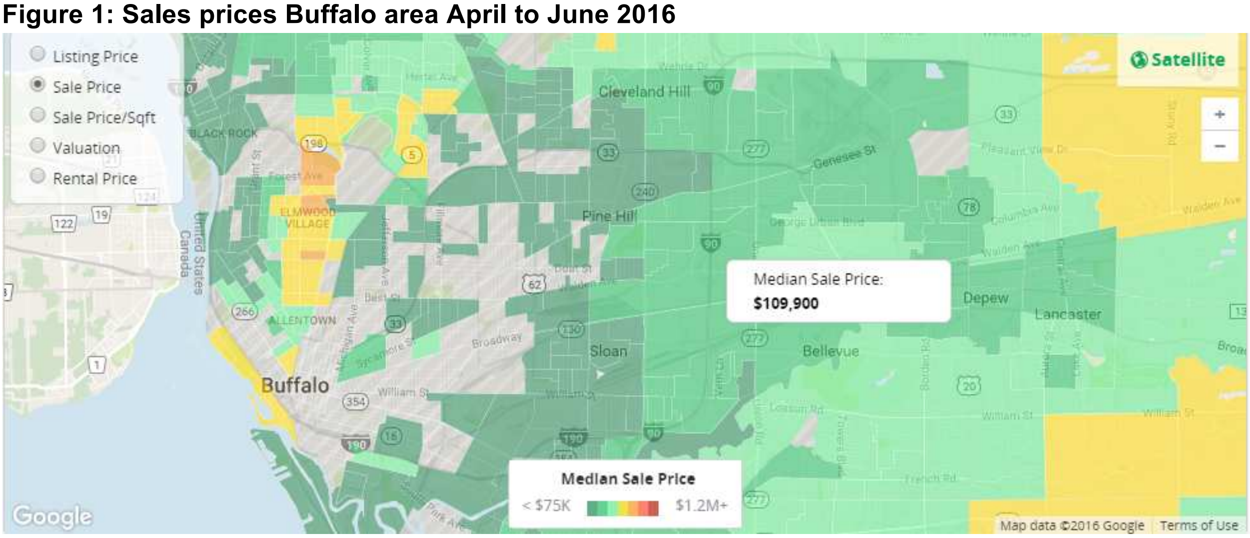
[11] https://www.huduser.gov/portal/datasets/il/il2016/2016summary.odn Qualification for affordable home-ownership programmes adopts income limits based on proportions of iarea median incomes, equivalised for family size.

$257,000 to $300,000, light green in the region of $165,000 and light green $65,000. Median household income in Albany County is $82,000 in 2016 (HUD).

New York City, is a global city, competing against other urban centres like London, UK. It is highly pressured with demand exceeding supply and high house price to income ratios. Households with incomes below $114,000 a year face severely constrained access to homeownership in much of the city (Willis, M. et al., n.d.). The city has a low homeownership rate at 32 percent, compared to the national average of 63 percent but is disproportionately lower for low to middle-income households. Moving to lower priced contiguous counties provides little relief in terms of affordability for low to middle-income households as house prices now exceed their previous pre-financial crisis peak, but median incomes have stagnated and are slightly below their level in 2008. Figure 3 shows median house prices in the five boroughs of New York City and its environs. Red areas have median house prices in that exceed $1 or $2 million, orange areas range between $500-750,000, yellow areas are between $300-500,000 and the green areas in the Bronx and New Jersey had median prices of $160-300-000. Median household income is $65,200.

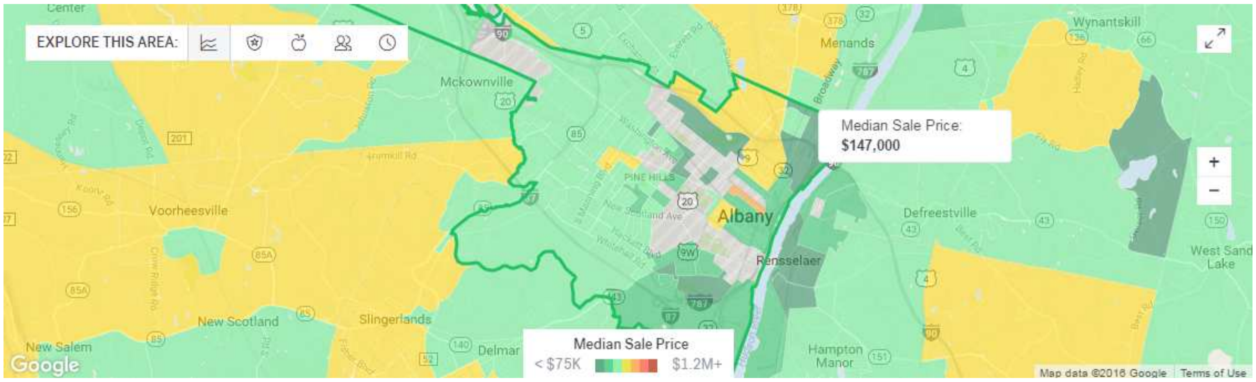
Boston was briefly included as an opportunity arose to visit the Joint Center for Housing Studies at Harvard University, where academics with expertise in homeownership and homeownership education and counselling programmes were situated. Boston has a similarly high pressured housing market to New York, a major educational hub with international universities and with a buoyant employment market, although government jobs have declined (US HUD, 2012). The housing market. The city's population rose 0.6 percent annually between 2000 and 2010, especially since the financial crisis as job-seeking in-migration has increased. Figure 4 illustrates the median house prices across the city district, with red patches depicting prices in excess of $1 million , orange patches median house prices are $450,000 to $780,000, yellow patches $380,000 to $450,000 and green below $200,000. Median household income is $98,100.

Figure 1: Sales prices Buffalo area April to June 2016



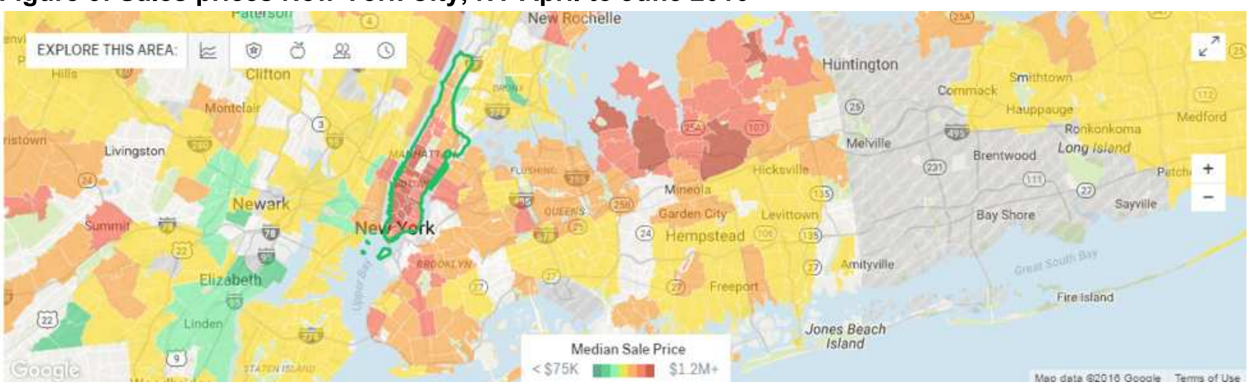
Source: trulia.com

Figure 2: Sales prices Albany, NY April to June 2016



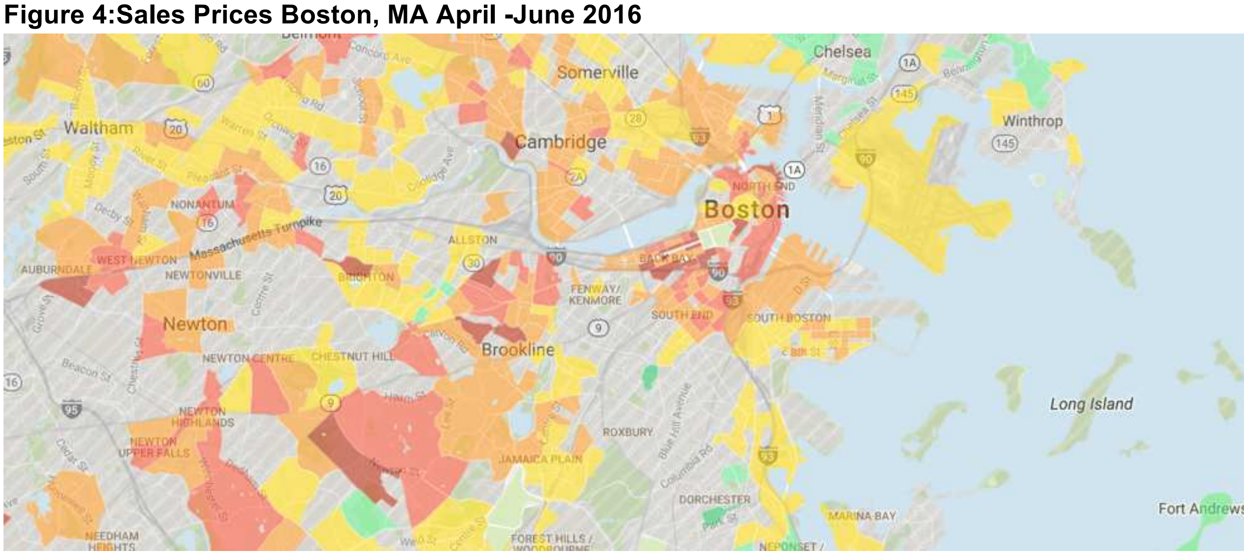
Source: trulia.com

Figure 3: Sales prices New York City, NY April to June 2016



Source: trulia.com

Figure 4:Sales Prices Boston, MA April -June 2016



Source: Trulia.com

The opportunities and risks for achieving successful homeownership, therefore, vary within and between these contrasting housing markets.

Appendix B: National Curriculum Standards for Homeownership Education and Counselling

Exhibit A

Pre-Purchase Standard Homeownership Education Content

Key Topics	Client Outcome
Assessing Homeownership Readiness	
Pros and cons of homeownership	Understand the benefits and responsibilities of homeownership
Overview of the home purchase process	Conduct self-assessment of homeownership readiness
Housing affordability	Calculate housing affordability
4 C's of credit	Understand how lenders determine mortgage readiness
Budgeting and Credit	
Importance of goal setting	Set financial goals
Tracking expenses	Develop system to track expenses
Setting up a spending plan	Create a realistic spending plan
Budgeting and saving tips	Identify ways to reduce expenses and increase savings
Importance of good credit	Understand the importance of good credit
Understanding credit and how to protect credit ratings	
Credit bureaus, reports and scores	Order credit reports and credit scores
How to fix credit problems	Improve credit rating
Debt management tips	Reduce debt
Financing a Home	
How a lender decides whether or not to lend	Understand how lenders make loan decisions
Housing affordability and qualification	Calculate housing affordability
Sources for mortgage loans	Understand where to obtain a mortgage loan
Predatory loans and how to avoid them	Avoid high-risk loans
Types of mortgage loans	Choose appropriate loan product and source
Special financing products	Understand resources available to assist with home purchase
Steps in the mortgage loan process	Understand the loan process
Loan application and approval process	
Common lending documents	Assemble documents needed for loan application

Key Topics	Client Outcome
What to do if the loan is denied	Address issue listed as the reason for loan denial
Closing process	Understand the loan closing process
Shopping for a Home	
The homebuying team	Understand the professionals involved in the homebuying process
Real estate professionals	Understand the different types of real estate professionals
Types of homes and ownership	Understand housing and titling options
How to select a home and neighborhood	Determine housing wants versus needs
How to make an offer	Understand the home purchase process
Negotiating tips	
The purchase contract	
Inspections	Understand the importance of a professional home inspection
Escrow and closing process	Understand the escrow and closing process
Maintaining a Home and Finances	
How to maintain and protect a home after moving in	Understand costs associated with homeownership, including taxes, insurance, maintenance, etc.
Home safety and security	Create emergency plan
Energy efficiency	Reduce energy usage
Preventive maintenance	Create plan for routine maintenance
Home repairs and improvements	Understand the difference between repairs and improvements
Working with a contractor	Understand how to work with a contractor
Community involvement	Get involved in the community
Record keeping	Set up a record-keeping system
Taxes	Understand tax issues associated with homeownership
Insurance	Understand different insurance policies associated with homeownership
What to do if you can't make a payment	Contact lender immediately if there are financial issues
Predatory lending and other financial pitfalls	Avoid high-risk loans

Exhibit B

Post-Purchase Standard Homeownership Education Content

Key Topics	Client Outcome
Budgeting for Homeownership	
Staying financially fit as a new homeowner	Review spending plan and revise with new expenses of mortgage payments, maintenance, reserves, utilities, homeowners association fees and investments
Budgeting	
Maintaining good credit	Understand the importance of maintaining good credit
Home equity: Your home as an asset	Calculate home equity, and understand how to manage it effectively
Retirement savings	Understand options and techniques for saving for retirement
Taxes: Property and income	Understand tax liabilities and ways to maximize deductions
Insurance: Mortgage, homeowners, auto, health and life	Understand different types of insurance and the importance of risk management
Maintaining and Improving Your Home	
Home maintenance and improvements	Develop plans for preventive maintenance, home repairs and replacements and/or home improvements as needed
Home safety	Create emergency plan
Energy conservation	Reduce energy usage to save money
Community Involvement	
Building community	Get involved in the community
Financing and Sustaining Homeownership	
Foreclosure prevention	Contact lender immediately if there are financial issues
Mortgage options: Refinancing, home equity loans and home improvement loans	Know your options: refinance, home-equity loans, home improvement loans
Recordkeeping	Create record-keeping system
Lending abuses	Avoid high-risk loans
Landlord issues	Attend landlord training classes

Exhibit C

Minimum Standard Activities for Homeownership Counseling

Activities
Intake – gather baseline information from client
Conduct accurate needs assessment
Document the household income and expenses
Determine household debt level
Review client's credit report(s)
Identify credit challenges
Determine and document household savings
Develop a household budget
Analyze budget and recommend modification
Conduct various calculations including affordability based on income and debt
Develop a written action plan
Provide client follow up
Make referrals for additional services needed by client
Provide client information on delinquency/foreclosure services or information on a referral for these services

Note: *Specialty counseling services such as reverse mortgage counseling, foreclosure prevention and delinquency counseling should only be provided by counselors with the proper training and certification.*

Appendix C: Example of a Fannie Mae approved homeownership education and counselling certificate

Fannie Mae

Certificate of Completion of Pre-purchase Housing Counseling

Part A: To be completed by counseling recipient

Counseling Recipient Certification:

I certify that I received the housing counseling and education services listed below from the housing counselor and agency named in this form.

Counseling Recipient's Name (Printed)	
Counseling Recipient's Signature	
Date of Signature	

Part B: To be completed by housing counselor

Counselor Certification:

I certify that I provided housing counseling (parts A and B below) before the client entered into a contract to purchase a home. Also, the counseling and education provided meet HUD definitions, detailed on page 2 of this form and summarized below:

Topics and Activities Covered

A. Analysis of the client's financial situation, including
- a review of the client's income, expenses, spending habits, and use of credit;
- a comparative analysis of renting versus owning, given the client's financial situation;
- the establishment of a household budget the client can afford; and
- development of an action plan to help the client become "mortgage ready."

B. Decision to purchase a home, including
- budgeting, credit, assessing homeownership readiness;
- shopping for a home; and
- the mortgage application process.

C. Issues arising during or affecting the period of homeownership, such as
- home maintenance and homeownership expenses (including preventive maintenance, taxes, insurance, homeownership association, condo, or other fees);
- refinancing, default, and foreclosure; and
- sale or other disposition of a home.

Counselor's Name (Printed)	Name of HUD-Approved Counseling Agency
Counselor's Signature	Agency Address
Date of Signature	Telephone Number
Agency ID	Agency Tax Identification Number

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INSTRUCTIONS

Certificate of Completion of Pre-purchase Housing Counseling (Fannie Mae Form 1017)

Part A: To be completed by the individual who received the housing counseling and education—the counseling recipient

Type or print your name in the appropriate box, then sign and date the form where indicated.

Forward the signed form to your housing counselor. Once the form is completed by your housing counselor, send it to your lender to be placed in your mortgage file.

Part B: To be completed by the housing counselor

In signing this form, you certify that you provided counseling before your client signed a purchase contract on a home. You also certify that the counseling and education provided by your agency meets HUD's definitions found in Chapter 1, Section 1-4 F and Section 1-4 G of the *HUD Housing Counseling Program Handbook* (7610.1 dated 05/2010):

> 1-4 F. Counseling. Counseling is described as counselor-to-client assistance that addresses unique financial circumstances and housing issues, and focuses on overcoming specific obstacles to achieving a housing goal such as repairing credit, addressing a rental dispute, purchasing a home, locating cash for a down payment, raising awareness about critical housing topics such as predatory lending practices, fair lending and fair housing requirements, finding units accessible to persons with disabilities, avoiding foreclosure, or resolving a financial crisis. Except for reverse mortgage counseling, all counseling will involve the creation of an action plan.
>
> 1-4. G. Education. For the purposes of HUD"s Housing Counseling Program, education is defined as formal classes, with established curriculum and instructional goals, provided in a group or classroom setting, or other formats approved by HUD, covering topics such as, but not limited to: (1) renter rights; (2) the home buying process; (3) how to maintain a home; (4) budgeting; (5) fair housing; (6) identifying and reporting predatory lending practices; (7) rights for persons with disabilities; (8) and the importance of good credit. Special Note: The educational topic of "Fair Housing" may include the promotion and protection of civil rights as they relate to ensuring equal opportunity housing. Such educational sessions may include topics such as identifying and reporting discriminatory policies, procedures practices, fair lending, Section 504 of the Rehabilitation Act, and predatory lending.

Type or print your name where indicated, sign and date the form, and enter the information requested to identify the HUD-approved agency.

> **Note:** The Agency ID requested is the Agency ID required under Box 1 on the HUD-9902 (*Housing Counseling Agency Activity Report*).

Return the completed, signed form to the counseling client who will then forward it to the lender.